

D.8. – Review, discuss, and possibly take action related to the following communications that have been received and are included: (Requesting Audit Committee Member: Audit Committee Chairman Matthew Dent)

a. May 2, 2020 email communication regarding the Engagement Letter, the Audit Committee charter and communications from Mr. Dick Warren

**May 2, 2020 e-mail
communication
regarding the
Engagement Letter,
the Audit
Committee charter
and
communications
from Mr. Dick
Warren (3 pages)**

From: Dick Warren <bd1947@icloud.com>
Sent: Saturday, May 2, 2020 4:15 PM
To: Paul C. Navazio
Cc: Matthew Dent; Tim Callicrate; Sara Schmitz; Winquest, Indra S.
Subject: AC Meeting May 6th - Item D3, Engagement Letter

I must admit I was a little bit surprised to find these 2 paragraphs (below in bold) in your memorandum to the AC, found on pages 32 & 33.

The first para, why are you asking Eide Bailly to prepare the financials? IVGID has prepared these for years, why are you asking Eide Bailly to prepare them this year? Not only does the cost increase, but what is the added value?

The second para (I have already commented on this in an earlier email today as a potential conflict of interest for Eide Bailly), why would you want Eide Bailly to be a Financial Advisor to the AC? This is the same firm that did last year's CAFR (FY 2019), and the Board sent it on to the Department of Taxation with 14 potential issues relating to Eide Bailly. Why would you want Eide Bailly to be your Financial Advisor when you just questioned their competence in last year's audit? And let's be honest, Eide Bailly has been an issue for the past 4 years.

Anyway, these 2 requests by Staff I find to be perplexing; hopefully, you can mollify my concerns.

First, staff suggests that the Audit Committee *give* consideration to amending the Engagement Letter to request that the Independent Auditor prepare the financial statements to be include in the Consolidated Annual Financial Report. Historically, the financial statements have been prepared by management staff and *reviewed* by the Independent Auditor. This task would result in an increase to the fee(s) charged for the *overall* audit.

In addition, the Audit Committee - in conjunction with its update to Board Policy 15.1.0 - may choose to request that the Independent Auditor be retained to *serve* as a resource to the newly- reconstituted Audit Committee. The draft revision to Board Policy 15.1.0 (also appearing on this Committee Agenda), identifies a role for an individual or entity to provide background and training to Committee members as well as serve as a resource to members to support the Committee in fulfilling its oversight role related to finance, accounting, financial reporting and internal controls. This potential role for the Independent Auditor is currently outside the scope of the Engagement Letter for the FY2019-20 audit work.

From: Sara Schmitz
Sent: Monday, May 4, 2020 5:48 PM
To: Herron, Susan
Subject: Fw: Audit Committee (AC) Meeting, May 6th - Item D2, the AC Charter

Sara Schmitz

Incline Village General Improvement District Trustee and Treasurer
893 Southwood Blvd.
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925-858-4384



From: Dick Warren <bd1947@icloud.com>
Sent: Saturday, May 2, 2020 1:00 PM
To: Matthew Dent; Tim Callicrate; Sara Schmitz
Cc: Winquest, Indra S.; Paul C. Navazio
Subject: Audit Committee (AC) Meeting, May 6th - Item D2, the AC Charter

A couple of comments:

Page 16 - First paragraph under Organization, last sentence - How can you have a Financial Advisor who is affiliated with the external audit firm? The external audit firm does not give an opinion on IVGID's internal controls, but they do need to review and determine their level of auditing procedures necessary based on their assessment of IVGID's internal controls. I think this could be a potential conflict for the external audit firm, it might be better to keep the Financial Advisor totally independent of the external audit firm. From a practical sense, wouldn't the best fit for Financial Advisor be the Consultant you use for your Internal Control Review?

Materiality - I might have missed it, but is materiality of financial transactions discussed in the Charter? The GM has a certain level of approval, \$50k or so. Since the AC is responsible for financial reporting, shouldn't "significant financial transactions", above the level authorized for the GM, be brought to the AC for their review & approval?

From: Sara Schmitz
Sent: Monday, May 4, 2020 5:47 PM
To: Herron, Susan
Subject: Fw: AC Meeting May 6th - Item D4 Communications, 3 Items

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From: Dick Warren <bd1947@icloud.com>
Sent: Saturday, May 2, 2020 6:38 PM
To: Matthew Dent; Tim Callicrate; Sara Schmitz
Cc: Winqest, Indra S.; Paul C. Navazio
Subject: AC Meeting May 6th - Item D4 Communications, 3 Items

Re Items 4A & 4C, the Nike slogan "JUST DO IT" comes to mind. - Linda & Cliff have persuasively laid out their arguments, and there has been no rebuttal to them. Item 4C is particularly unsettling, since if IVGID continues to use Special Revenue Fund Accounting they are in violation of the law.

Re Item 4B, Dillon's Rule, if an organization like IVGID had a competent internal control function (external or internal), this issue would go away quickly.