

MINUTES

AUDIT COMMITTEE MEETING OF APRIL 21, 2022 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chairman Ray Tulloch on Thursday, April 21, 2022 at 5:00 p.m. via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Matthew Dent (Trustee) and Raymond Tulloch (At-Large Member) (Chair)

On roll call, present were Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Tulloch (At-Large Member, Chairman) and Matthew Dent (Trustee) (joined the meeting at 5:03 p.m.).

B. PUBLIC COMMENTS

Dick Warren said General Business Item D.1 – he has full confidence that the Audit Committee will do the right thing and demand that Davis Farr expand their annual audit to do a very, very comprehensive report. For Davis Farr to do a repeat of what was done last year would be to waste another \$49,000. Why not spend \$150,000 or so and get a good audit, something that will expose the many, many irregularities of IVGID? It is obvious that IVGID has major deficiencies in Internal Controls, how else could IVGID wind up with a couple of Material Misstatements and a Significant Deficiency or two and still get a clean opinion? And how does Davis Farr get away with issuing a clean opinion when the Audit Committee was quite concerned about material issues in the financials? Unfortunately, the Audit Committee will do the right thing and recommend to the Board that the audit be expanded significantly, but then the Board will shoot it down due to the costs involved. It is ironic that the Board has no issues spending excessive amounts of monies on projects like the Burnt Cedar Pool, the Effluent Pipeline, you name it, but spending more money on an audit is out of the question. But this gets back to the basic problem that the District General Manager controls the Board, and the District General Manager does understand that expansion of any audit will expose more and more problems at IVGID, and he certainly does not want that to occur. There is no reason to repeat the audit that was done in the prior year, it is just a waste of money at \$49,000. Let's go to \$150,000, maybe \$200,000, and get a great audit. And Audit Committee, you might want to consider getting someone other than Davis Farr to do it. Thank you.

Chris Nolet said consistent with the public remarks he made during the Audit Committee meeting on April 13th, 2022, these remarks are also directed to our auditor Davis Farr. In addition to the questions he has posed to Davis Farr during

the meeting last week, he has the following suggestion. Based on numerous discussions he has had with Audit Committee members and District management, it appears to him that little to no detailed explanation has been provided by Davis Farr to the Audit Committee as to the technical bases, judgments and other considerations supporting the response that you simply "don't agree" with most of the 6 Audit Committee recommendations concerning likely misstatements in the 2021 ACFR. One element of an auditor's role is to engage in constructive dialog and educate its clients. It is his understanding that no such forum/dialog has taken place. Such a meaningful dialog should take place immediately, so the 2022 engagement letter can then be executed with the confidence that the matters of current disagreement will not occur again during the 2022 financial statement audit. Absent such a fulsome discussion, and given the obvious very high degree of alignment with management, one begins to question the possible lack of independence of our current auditor.

C. APPROVAL OF AGENDA (for possible action)

Audit Committee Chairman Tulloch asked for changes to the agenda, none were made. The agenda was approved as submitted.

D. GENERAL BUSINESS ITEMS (for possible action)

D.1. Review, discuss and possibly take action on the Davis Farr draft engagement letter; to include discussion on schedule, reporting, milestones and interim deliverables and to include discussion related to concerns of the Audit Committee and options for expanding annual audit by Davis Farr

Audit Committee Chairman Tulloch welcomed Ms. Jennifer Farr of Davis Farr. District General Counsel Nelson said that there was some supplemental material that were posted on the website that might be discussed at this meeting. Audit Committee Chairman Tulloch went over the submitted material. Ms. Farr said that she was here was to answer questions and not make a presentation. The Audit Committee then had a comprehensive discussion with Ms. Farr and asked a variety of questions which she answered.

The outcome of this discussion was the following:

1. The Audit Committee needs to prioritize getting the engagement letter finalized and forwarded to the Board of Trustees.

2. Ms. Farr said she will provide lots of options for additional potential audit work and that she will provide that to both the Audit Committee Chairman and Management so as to allow all parties to focus on the narrowing down.
3. While the Audit Committee Chairman has the authority to sign the presented engagement letter and the Audit Committee would need to go back to the Board for approval of any additional scope of work and/or added areas of auditing, the Audit Committee Chairman would prefer to keep them both together and go to the Board of Trustees once.
4. Audit Committee unanimously tasked Trustee Schmitz, Director of Finance Navazio and Ms. Farr to work together to get everything to the Board for their May 11 Board meeting. Trustee Schmitz asked if having it on the May 26 Board meeting agenda was acceptable – Ms. Farr stated that the financial statement audit is scheduled to start on May 23 so if the engagement letter can be approved, that would keep that schedule intact. If not, then they would be unable to start until later in June. Audit Committee Chairman Tulloch held firm and asked that it be wrapped up so as to go onto the May 11 Board meeting agenda.
5. Ms. Farr agreed to adding a timeline on each procedure.

E. PUBLIC COMMENTS*

There were no public comments made at this time.

F. ADJOURNMENT (for possible action)

The meeting was adjourned at 6:40 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

*In accordance with NRS 241.035.1(d), the following attachments are included but have neither been fact checked or verified by the District and are solely the thoughts, opinions, statements, etc. of the author as identified below.