

MEMORANDUM

TO: Audit Committee

THROUGH: Audit Committee Chairman Ray Tulloch

FROM: Audit Committee At-Large Member Clifford F. Dobler

SUBJECT: Review, discuss, and modify the draft checklist of fulfilling the Audit Committee's duties and responsibilities as required by Board Policy of the Annual report to Board of Trustees

DATE: July 13, 2021

I. RECOMMENDATION

That the Audit Committee review and discuss the checklist, Exhibit A, of fulfilling the Audit Committee duties and responsibilities required under Policy 15.1.0 and assign a member to draft a report with checklist for submission to the Board of Trustees. The recommendation is to obtain consensus on each answer to each requirement outlined in the Policy and then to complete an Executive Summary.

II. BACKGROUND AND ANALYSIS

Under Policy 15.1.0, Section 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.

Since the full committee under the new policy did not convene until July 29, 2020, it is suggested that the annual report be based on the time period between each fiscal year.

The Audit Committee had 14 meetings between July 29, 2020 and June 30, 2021 consisting of 40.3 hours. A summary of items discussed and resolved at each meeting is on Exhibit B.

It is now time for the Audit Committee to review our results over the past year and provide a short opening executive summary to the report of achievements and actions fulfilling the duties and responsibilities required during the past 12 months.

Attachments:
Exhibits A and B

EXHIBIT A

July 13, 2021

Requirements for Audit Committee Annual Report to Board of Trustee assessing the results of its fulfillment of its duties and responsibilities required by Policy 15.1.0, Section 2.9.

2.0 Responsibilities

- 2.1 Be independent, effectively communicate, & reinforce accountability.....Accomplished
- 2.2 External independent audit procurement process
 - 2.2.1 - Request for Proposal RFP Completed
 - 2.2.2 - Select Auditor Completed
- 2.3 Recommend to the Board of Trustees an external auditor
 - 2.3.1 - Recommendations on scope of work and funds to be audited Completed
 - 2.3.2 - Identify and recommend additional services No recommendation at this time
 - 2.3.3 - Board action to designate auditor NO involvement
..... Not applicable
 - 2.3.4 - Replace auditor when appropriate Not applicable
 - 2.3.5 - Approve scope of work and audit plan by June of each year Completed
- 2.4 Facilitate the external audit process
 - 2.4.1 - Review and approve formal reports submitted to external auditor..... **Unable - not provided**
 - 2.4.2 - Provide an independent forum for auditors to report findings or difficulties Accomplished
 - 2.4.3 - Review the Auditors' report of findings and recommendations with management and the auditor **Not Accomplished**
 - 2.4.4 - Review the 2020 CAFR..... Minimal time available due to
..... delayed submission
 - 2.4.5 - Follow -up on any corrective action identified Completed
 - 2.4.6 - Submit an annual Report of the Board of Trustees of the Audit Completed
 - 2.4.7 - Assess the performance of the independent auditors..... 7-13-2021
- 2.5 Review financial statements quarterly and annually for fair and accurate reporting Did not do quarterly
 - 2.5.1 - Review change in accounting policy **GAAP or ?**
 - 2.5.2 - Ensure accounting policies are followed ?
 - 2.5.3 - Review any off-balance sheet financing (**LEASES**) **No request**
- 2.6 Review the framework of internal controls - ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness..... ??
 - 2.6.1 - Review the annual internal control audit plan
 - 2.6.2 - Review managements 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 acceptable in any form ?
 - 2.6.4 - Committee may identify a need to engage an external internal auditor.....
- 2.7 Periodically review the District's Code of Conduct..... **Not done**
- 2.8 Review and refine the procedures for the receipt, retention and treatment of complaints - Whistleblower
- 2.9 Submit annual report to the Board of Trustees assessing the results of its fulfillment of its duties

EXHIBIT A

July 13, 2021

3.0 Meetings

- 3.1 - Meeting conducted according to State requirementsAccomplished
- 3.2 - Meeting held once per quarter14 meetings
- 3.3 - Review correspondence to determine action. If needed assign responsibility to investigate and resolve to the appropriate organizational leader..... No Authority to assign
- 3.4 - Review past correspondence with action outstanding. Ensure responses are taken in a timely mannerNo authority
- 3.5 - Committee may invite members of management**Not accomplished**
- 3.6 - Committee Chair establish agenda and provide briefing materials.....Accomplished
- 3.7 - Annual meeting to be held with external auditor, General Manager, the Director of Finance, legal counsel and anyone else to review the annual financial statements and the Comprehensive Annual Report and auditors letter of findingsNOT accomplished

EXHIBIT B

History of Audit Committee Meetings for fiscal year ending June 30, 2021

July 29, 2020 (1 hour 34 minutes)

- Acknowledgement of new Audit Committee members
- Review Board Policy 15.1.0
- Review Members Roles and Responsibilities
- Elected Matthew Dent as Chairman
- Review liaison to Eide Bailly
- Documented by Clifford Dobler and Linda Newman POSTPONED
- Verbal Update of Audit by Director of Finance
- Audit Timeline: 6-8-2020 to 10-30-2020
- Presentation of IVGID System of Internal Controls by Director of Finance - POSTPONED
- Referral of 14 point of errors in 2019 CAFR by Cliff Dobler and Linda Newman - REMOVED

August 19, 2020 (2 hours and 55 minutes)

- Long Range Calendar
- Nominated Matthew Dent as liaison with Eide Bailly
- Presentation by Director of Finance on IVGID System of Internal Controls
- Director of Finance response to 14 points of errors in 2019 Comprehensive Annual Financial Report submitted by citizens Dobler and Newman
- Legal Counsel Joshua Nelson response to Dillon's Rule relating to Donations and Employee Benefits

September 1, 2020 (1 hour 51 minutes)

- Long Range Calendar - Concern about obtaining information from management
- Engagement of Moss Adams to report on four issues regarding accounting and reporting
- Discussion with Josh Nelson on Dillon's rule applying to donations and employee expenditures - Nelson to provide a written opinion.
- Discuss citizen's communication of improper use of Ad Valorem Taxes - Josh Nelson researched and found use was proper

September 30, 2020 (1 hour 51 minutes)

- Director of Finance VERBAL update on 2019/2020 Comprehensive Annual Financial Report
- Discussion of Timeline for an RFP for an Independent Auditor for fiscal year 2020/2021 – At-Large members Dobler and Aaron to draft RFP - Staff on vacation.
- Review Whistleblower procedure for financial matters - requested by Indra Winquest (POSTPONED)
- Review of legal Opinion by Josh Nelson regarding application of Dillon's Rule relating to Donations, Community Programming and Employee expenditures. (POSTPONED)

October 27, 2020 (2 hours 42 minutes)

EXHIBIT B

History of Audit Committee Meetings for fiscal year ending June 30, 2021

- Director of Finance VERBAL update on Internal Controls
- Approve RFP for Independent Auditor for fiscal year 2020/2021
- Review and provide feedback on 2019 MD&A, Transmittal Letter, Welcome Letter
- Long Range Calendar

November 19, 2020 (5 hours 55 minutes)

- Discussion of MATERIALITY with Tiffany Williamson, representative of Eide Bailly
- Reviewed and discussed DRAFT Basic Financial Statements and Supplemental Schedules
- Reviewed status of Moss Adams report on accounting and reporting matters
- Extension Request to the Department of Taxation to file the Comprehensive Annual Financial Report
- Update on RFP for new external auditor
- Director of Finance VERBAL update on System of Internal Controls
- Timeline and next steps of moving Community Services and Beach activities to Enterprise accounting and reporting.
- Receipt of Legal Opinion from Josh Nelson on applicability of Dillon's Rule

December 19, 2020 (2 hours 47 minutes)

- Review and discuss Draft Moss Adams Report on five accounting issues presented by Jim Lanzarotta representative of Moss Adams
- Expand scope of work to cover the remaining 16 points of potential erroneous accounting and reporting

January 20, 2021 (1 hour 48 minutes)

- Director of Finance Presentation of "Final 2019/2020 Comprehensive Annual Financial Report" - Was to be revised
- Acknowledge receipt of letter from Department of Taxation on Notice to Appear for hearing on January 28, 2021 - Transition to Enterprise fund accounting for Community Services and Beach activities

January 27, 2021 (5 hours 10 minutes)

- Presentation of Final 2019/2020 Comprehensive Annual Financial Report by Director of Finance and Tiffinay Williamson of Eide Bailly
- Whistleblower Procedure for Financial Matters - Discussion only
- Director of Finance - VERBAL update on Internal Controls
- Director of Finance update on Chart of Accounts
- Director of Finance update on new External Auditor contract

February 10, 2021 (1 hour 50 minutes)

- Recommended Davis Farr LLC as new independent auditing firm for fiscal 2020/2021
- Accepted the Moss Adams report on accounting and reporting treatments and an additional spreadsheet of other questions and clarifications.
- Accepted the written annual Audit Committee report to the Board of Trustees as required by Board Policy 15.1.0 2.4.6 and agreed to forward the report to

EXHIBIT B

History of Audit Committee Meetings for fiscal year ending June 30, 2021

the Board of Trustees with recommendation that the 2019/2020 CAFR Transmittal letter be modified to identify ALL of the concerns and issues brought forth in the report. Opposition by Dobler on recommendation to Board of Trustees

March 11, 2021 (6 hours 24 minutes)

- Extensive review and debate on Whistleblower procedures - No action taken
- Extensive review and debate on moving forward on the Internal control procedures - Obtained 375 pages of documents assumed to be the existing internal controls
- Discussion on a new chart of accounts - No consensus on how the accounts should be established
- Review of five items 1. prior year auditor, items of correction, deliverables, timeline for 2020/2021 audit and Policy 15.1.0 - Agenda item was not clearly defined.
- Compliance with Dillon's Rule - Review of Nelson's opinion on Employees Benefits - Committee made affirmative motion to recommend to Board of Trustees to engage a law firm to create specific policies and practices addressing employee benefits
- Compliance with Dillon's Rule - Review of Nelson's opinion on leasing property to Non Profits - Committee made affirmative motion to recommend to Board of Trustees to price all leases of venue property at market rates and for non profits to cover full operating expenses less 10%
- Compliance with Dillon's rule - Providing community programming - not covered by Nelson's opinion and needs to come back at a future time.
- Correspondence - Dobler on Effluent Pipeline meters and equipment - Chairman decided to put on long range calendar
- Correspondence - Dobler and Newman e mail about failure to include correspondence in Audit committee packet. No resolution but to resubmit.
- Correspondence - Dobler and Newman - E mail and report to Moss Adams Jim Lanzarotta regarding punch cards. Moss Adams report issued - dead.
- Correspondence - Dobler regarding WRRF Aeration Systems Improvements - proper carryover into 2021 - corrected by Staff
- Correspondence - Dobler regarding Information Technology Infrastructure cost overruns failure to abide by Board Policy. Winquest to meet with Dobler - Never done.
- Correspondence - Katz - Whistleblower retaliatory issue - Resolved by changes to draft documents.
- Long Range Calendar

April 29, 2021 (1 hour 56 minutes)

- Reviewed and discussed Engagement letter with Davis Farr LLC representative Jennifer Farr - No action taken
- Reviewed and discussed the Nevada Revised Statutes that relate to the annual audit. Nevada Revised Statute 354.486 states the Audit must

EXHIBIT B

History of Audit Committee Meetings for fiscal year ending June 30, 2021

"Evaluate internal controls over financial reporting of the handling of the public money and public property" but Engagement Letter states Davis Farr LLC will only review. Chairman Dent held over for further review.

- Review, discuss and possibly approve Whistleblower Procedure. Approval of document with changes was not approved and failed on a 2 to 2 vote.
- Review and discuss and possibly take action on funding Parks through the General Fund. Deferred

June 9, 2021 (1 hour 44 minutes)

- Approved Davis Farr LLC Audit Schedule/Work Plan
- Request by Cliff Dobler to have new external auditor review 8 items regarding accounting and financial statement reporting which IVGID management does not agree with reports from citizens and Moss Adams analysis wherein most items are not in compliance with GAAP or are materially misrepresented. Future agenda item
- No progress on overpayments to Contractors
- Determined No policy or internal controls on administering grants
- Agenda item to make a recommendation to Trustees to Expense certain costs on recent projects which had been capitalized - Was not addressed lack of time.
- Seven communications from Cliff Dobler - Was not addressed - lack of time
- Long range calendar
- Resignation of Matthew Dent as Chairman and Committee Member

June 19, 2021 (2 hours 36 minutes)

- Elected Ray Tulloch as new Chairman of Audit Committee
- Agreed to modify Policy 15.1.0 to allow an additional At-Large Member (Chris Holet) to fill vacancy of a second Trustee on the Committee since 4 Trustees declined to accept appointment. Agreed to submit several suggested changes in other sections of the Policy at another future meeting.
- Reviewed and made changes to Whistleblower Procedure and agreed to attempt an approval of the final version at the July 13, 2021 Audit Committee Meeting.