

MINUTES

AUDIT COMMITTEE MEETING OF APRIL 29, 2021 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chairman Matthew Audit Committee Chairman Dent on Thursday, April 29, 2021 at 4:00 p.m. at the Boardroom located at 893 Southwood Boulevard, Incline Village, Nevada. This meeting was conducted virtually via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Matthew Dent (Trustee, Chair), Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Tulloch (At-Large Member), Derrek Aaron (At-Large Member) absent.

Also present was Staff member Director of Finance Paul Navazio.

There were no members of the public present (State of Nevada, Executive Directive 006, 016, 018, 021, 026, and 029).

B. PUBLIC COMMENTS*

Frank Wright said he has some issues with bathrooms at the Recreation Center and the issue goes to oversight and how we get to the point where we are going to replace two bathrooms that are in pretty good shape and wondering who is overseeing this project when there are so many other projects that need to be done. Good sign that the pool project may be way over budget and the amount of money spent on these bathrooms is way out of line, as an Audit Committee you ought to take a look at the people who are doing these projects because they don't seem to care and something that the Audit Committee should have as its oversight as to how, when, where, and spending of the money. This is one issue that is going to blow up and it is on the agenda for tonight. He finds it just outrageous and just go back and look at the pool, the unnecessary expenditures, and the waste of money.

C. APPROVAL OF AGENDA (for possible action)

Audit Committee Chairman Dent asked for any changes; Audit Committee At-Large Member Dobler said, regarding item D.2., since Audit Committee At-Large Member Aaron is our liaison and is not here, it would seem to him, that it is not an appropriate time to talk about this as he would like to hear from him because he is in the driver's seat, as our liaison, so he would like this removed from the agenda. Audit Committee Chairman Dent said that Audit Committee At-Large Member

Aaron is our liaison and we have it as a placeholder. He thinks it will be very brief, on point, and then we can get an update at the next meeting. Audit Committee At-Large Member Tulloch said he wanted to move this item to the end of the meeting. Audit Committee Chairman Dent said Audit Committee At-Large Member Aaron is on the Audit Committee and that when we changed the Audit Committee meeting date, for consistency, he notified him that he couldn't attend so are we good with keeping this agenda item? Trustee Schmitz said she understands that is informational, she would like to hear it, and we will have the opportunity to request additional information so she would like to leave it. Audit Committee Chairman Dent said it is nothing more than a placeholder and a regular agenda item; agree that we should have our liaison here. Audit Committee At-Large Member Dobler said why don't we postpone it to the end of the agenda since it is a placeholder so we aren't removing it rather just reshuffling? Audit Committee Chairman Dent said that we are moving Report Item D.2. to after General Business Item E.4. as a report item; the balance of agenda is approved as submitted.

D. REPORT ITEMS *(information for the Audit Committee and public)*

D.1. Discuss and receive report regarding the advertising and interviews for appointment to Audit Committee (At-Large Member with one-year term). Appointment must be no later than July 1, 2021 (Requesting Audit Committee Member Sara Schmitz)

Trustee Schmitz gave an overview of the submitted materials. Audit Committee At-Large Member Tulloch asked, for clarification, if this was a one-year position? Trustee Schmitz said yes, it is for the one-year position; she will review the language to ensure it is clear – term begins July 1 through June 30, 2022. Audit Committee At-Large Member Tulloch said that he thought it was a two-year position? Trustee Schmitz said that is correct and that she will make that change. Audit Committee At-Large Member Dobler said so we are advertising for a two-year term; Audit Committee Chairman Dent said yes, that is correct.

D.2. Informational Update on Internal Controls Project (Requesting Staff Member: Director of Finance Paul Navazio)

Moved to after General Business Item E.4.

E. GENERAL BUSINESS ITEMS *(for possible action)*

E.1. Review and discuss the Engagement Letter with Davis Farr, LLP, to be signed by Audit Committee Chairman Matthew Dent, for the Independent Audit of the District's FY2020/21 Financial Statements (Requesting Staff Member: Director of Finance Paul Navazio)

Director of Finance Navazio gave an overview of the submitted material. Jennifer Farr of Davis Farr LLC gave a PowerPoint presentation that is incorporated herewith by reference. Audit Committee At-Large Member Tulloch asked if the 1% of funds applies to sub-funds as well? Ms. Farr responded that it is the funds as presented in the annual report so if you have sub-funds that are combined into one column in the annual report then it is a combined threshold. Audit Committee At-Large Member Tulloch asked if that was acceptable; Ms. Farr said it depends on the thresholds and that those are not defined by her firm rather it is about the standards on how to access materiality. Audit Committee At-Large Member Tulloch said he is happy about putting something behind their materiality threshold. Audit Committee At-Large Member Dobler asked about going back to the slide about 1% materiality and asked if it was all funds or just the major funds? Ms. Farr said it is major funds that are presented before the footnotes and then there is an aggregate of all the funds and those are basically all that are in the supplemental information that roll up into one column and they are called other governmental funds. It is the cumulative for non-major funds and individual for major funds. Ms. Farr continued her presentation. Audit Committee At-Large Member Tulloch said regarding capitalization, he has expressed serious concerns about some of the policies and as an example we have operating expenses that are being capitalized. He is assuming that their firm will be looking at this? Ms. Farr said yes on the larger projects and that they will drill into what is being capitalized. Audit Committee At-Large Member Tulloch said so you are not looking at individual expense reports? Sometimes, when those are ignored, and you should be looking for trends, then those become material. Ms. Farr said we start with a standard approach. Every year, we will do an unpredictable audit, and we will solicit your input on that topic. Trustee Schmitz said the engagement letter doesn't include things that are in tonight's Board packet such as review of capitalization policies, refining and updating central services cost allocations, so should these things be in the engagement letter or should they be a separate scope of work? Ms. Farr said the main goal is to let you know what we are expressing an opinion on and what we are not. This is something that we are not expressing an opinion on but we will look at the capitalization policy but not saying good or not but seeing whether they are

followed or not. We rely on the Board to make the policy and it is our job is make sure it is allowable and that Staff is following it. Trustee Schmitz said she is assuming that you have received the document of 24 points from Mr. Dobler and Ms. Newman and the Moss Adams reports and that changes will be made in the future annual report and that she is assuming you have it and that it will be included in your review? Ms. Farr said we do have it and that we did use it to determine risk areas and one of the biggest issues is how, on a go forward basis, is the issue about enterprise funds. She believes that it has been decided that there are no changes for June 2021 financials, but that it will impact Fiscal Year ending June 2022 and that she is comfortable with that decision. They do have clients with golf courses in both funds, so there are equal arguments both ways, and her firm is good with either. Trustee Schmitz said so it is management's responsibility to do these refinements? Ms. Farr said yes, that is a correct statement. Ours is in accordance with accounting standards and it is up to management to determine what changes to make. Trustee Schmitz said one of the issues we had was a need to do further review – some items were expensed with last year's annual report so will you be reviewing the capital in this fiscal year and those in the past? Ms. Farr said she has thought about that and our audit responsibility is for Fiscal Year 2021. Your previous auditors concluded it was not substantial. We can review their papers and we can make sure those are good. We will work with prior auditors, we are allowed to rely on the opinion they gave you, we will have questions and we will get an error amount. Trustee Schmitz said so the review will be part of your work plan; Ms. Farr said yes. Trustee Schmitz said that one item that wasn't highlighted clearly in the Moss Adams 1 report was that they did identify areas where we paid for services that weren't actually delivered. It was not just an overpayment or exceeding contract amount as there were also issues related to the tasks that were not delivered and a change order wasn't written to reduce the contract value for those items that weren't delivered so that is something that is a bit of a nuance and it was identified in the Moss Adam 1 report so she wanted to identify that as well. Last year, management's representation letter wasn't written nor delivered until after the audit was done so this committee couldn't review it or provide any comments. She doesn't know whether you are expecting a management representation letter at the beginning of the audit, but how she reads the engagement letter is that you are expecting management to write this at the beginning and that you are not writing it, for management, at the end so she wanted to get clarification. Ms. Farr said that the management representation letter, in the broad sense of the document, really tells the auditor that everything management told us during the audit is true and nothing was withheld from

the auditor and that is the big picture of the what the letter says. It is provided at the end, it is standard language with minor modifications, it is not a document that typically the Audit Committee gets involved in, it is generally signed by the General Manager and the Director of Finance, it just says we believe this information is true, and it protects the auditor in the event of litigation happens down the road. Generally, it is only something that management deals with however it can be shared with the Audit Committee. Trustee Schmitz said in Policy 15.1.0, paragraph 2.3.5, it says that the Audit Committee reviews the work plan by June 30. Is that something that is manageable and workable? And is it realistic from both a timing and operational perspective? Ms. Farr said we do want to seek some clarification on a what you mean by a work plan and that the presentation just given meets that requirement with scope and timing, etc. so she might need some clarification on what your policy requires. Trustee Schmitz said so you don't make an opinion on internal controls. In light of the fact that last year we had an issue with internal controls, she thinks this Audit Committee would want you to review those internal controls and make an opinion and if that is the case, is that an additional scope of work? Ms. Farr said she is not sure of another governmental agency that has had an internal control opinion and that it would be like a socks audit that a public traded company does. The cost of an internal control audit is roughly the same as the financial statement audit. It is not something that her firm has ever done, our firm wouldn't feel comfortable doing it, you should probably have a firm that audits publicly traded companies, and she doesn't feel they have the experience to produce an opinion on internal controls however they will follow up on prior years' material weaknesses and sufficient deficiencies as we do want to ensure that those issues have been resolved. Director of Finance Navazio said, to clarify the auditing on internal controls, they are looking for conformity with generally accepted accounting principles (GAAP) and Board policies. If we are not following those then those become internal control findings and they will be reviewed in the context of their audit in order to render their opinion. Director of Finance Navazio went over documents that have and haven't been transmitted. Ms. Farr said she has any reports that were public documents or on the website. Audit Committee At-Large Member Dobler said that the problem that he has, and if he heard correctly, we engaged Moss Adams because we felt there were some accounting treatments that were improper and that this was basically by himself and Ms. Newman. The Audit Committee and the Board engaged Moss Adams and they came back with three items that weren't in compliance with GAAP so the financial statements that were produced in 2020 weren't in compliance with GAAP however management made a representation to the auditors that

said we are in compliance with GAAP so they do not agree with Moss Adams. The report here says they are not in compliance, management is making representations that they are in compliance with GAAP and we are in the middle, knowing quite well and being able to read statutes and GASB that they are not in compliance GAAP. You are relying on management and previous auditors so therefore we are not going to look back to do it correctly this time and he is a little troubled by that because he would prefer that you rely on Moss Adams rather than rely on management who are people that is not a Certified Public Accountant and a District General Manager who doesn't have the qualifications either. We are really in a spot so he would ask how would you address that item? And he will give you one example is the capitalization for the pipeline, which is between 3 and 4 million dollars, which was a failed project and done to last 10 years and it didn't last 1 year. So, in his opinion, there is an impairment of an asset and that is going to affect us to make a decision about charging it off, even though it was capitalized in 2019, because it is an impairment and he has ample evidence to suggest/document that so how do we handle that and do you have any thoughts on that? Ms. Farr said that it is the prior auditors and Moss Adams who have a disagreement, not management, and that it is the prior auditors understanding of GAAP; she has seen it both ways. Capitalization is a bigger issue however as the Audit Committee, if you feel strongly about the presentation issue, you need to get it changed as we are comfortable with it both ways. Audit Committee At-Large Member Dobler said he is not discussing that as he understands that, he is talking about classification of facility fees as special revenue funds that they said were general funds and then also classifying facility fees that were specifically designated for capital projects and debt service and not allowed by GAAP that were recorded as revenues and in a special revenue fund that is not allowed and they would not correct that. So there was no basis for not correcting it, none. More importantly, is this capitalization of 3 to 4 million dollars on a failed plan and it is going to have a very large impact on the Utility Fund and it was a failed plan so therefore we need help on that as we need to convince someone it is a material mistake as this is a failed plan. That is why they had to do another assessment to understand why we didn't get the 10 years out of it and that what was intended, didn't work. He has seen impairment charges from companies for the last 30 years and that is that where you have made a mistake, charge them off because you didn't create the value. He is bothered by the fact that you are saying what the previous auditors determined, you are not going to touch, he doesn't know about that and that is one thing that he will just leave it there. It seems to him, and you may not want to change your engagement letter, but what you produce is a

comprehensive annual financial report and within that we have certain segments that are audited and reviewed and opinions expressed on some and opinions not expressed on some. So as you go through this we talk about financial statements and what he would like to have it say is the comprehensive annual report and that you are going to give an opinion on the basic financial statements that are part of the report but that you aren't going to give it on statistical information which is part of report so the idea is that we will know what you are talking about because the way you read this you wouldn't know that the financial statements that you are really referring to is this comprehensive annual financial report so he would like to see that cleaned up because then we know what we are talking about. We wouldn't know that the budgetary comparison schedule is called something else in the annual report so to him, we know what we are producing so why not do your engagement letter in the same content so we understand it better and that is the second thing. The third thing that he would recommend is remember during the Request for Proposal (RFP) that in it we had a schedule and we had a list of deliverables which were about 8 or 10 and Washoe County said you are going to deliver this on this date, this date, this date and this date and in this engagement letter, you answered the RFP and he thinks we should have a deliverable schedule in the engagement so you are in compliance with the RFP. He thinks what happens, and Staff correct him if he is wrong, that we decided not to put any dates in there but we were going to put some dates in it so it seems to him that if you answered the RFP to have a schedule of deliverables that we should probably do that in the engagement letter. Ms. Farr said that the engagement letter is created by the American Institute of CPA's and every year a new document comes out that tells the auditors this is what you have to use and that this is the language you have to use in your engagement letter so they are subject to peer review, and if a peer reviewer comes in and looks at our engagement letter, and doesn't find it in compliance, we could have a peer review finding for diverting from what the standards are. What she can do is to look at the standards and see where we have some flexibility as we may have some but would want to look at the standards as she doesn't want to put her firm at risk. Audit Committee At-Large Member Dobler said if you can't do within the engagement letter, that is fine but last year we were getting dribs and drabs and it always came down to the eleventh hour and that is why we specifically put in our RFP all of the items that needed to be delivered at certain dates so maybe we do it as a separate agreement so we, as an Audit Committee, know that the deliverables are being made and we are going to be pushed up against the wall. He thinks it would be good for management as well as it would be good for you. And to him, that's the plan, that's the

plan and he would like to see that you, in the engagement letter, that you are going to submit a plan to be in accordance with our policies but the plan to him would be here we are going to get these deliverables on this date and then we can monitor it and also you can monitor it so we aren't getting stuck and that is the way that he thinks would be good. The last thing he has is that he is a little troubled and it is on page 21, third paragraph. He was an auditor a long time ago and he thought he was actually pretty good at it but what he is worried about is that you make the statement that "...the management is responsible for establishing and maintaining internal controls [okay, he is fine with that] including monitoring ongoing activities for the selection and application of accounting principles for the safeguarding of assets and for the preparation of and fair presentation of financial statements to conform with GAAP even though we may assist management with their statements in conformance with US GAAP." Now the problem with that is if you are actually going in and helping them in preparing the financial statements then we, as the Audit Committee, have no way of monitoring the quality of our management if they are able to produce the financial statements properly to deliver to the Auditor. If you have your hands in the pie there, helping them out along the way, we would not do that because we always wanted to know what the quality of the management was so we wanted completed financial statements. Now, maybe things have changed, but at that time, that was the way it was done. He doesn't know about this assistance because so who is actually preparing the financial statements, that's his point. Ms. Farr said she likes the idea of timeline, deliverables and milestones as it helps us all parties stay accountable so she will put that together and send it over. Regarding the preparation of financial statements, we get all of the information from the accounting system, then it goes into their system and we link it and so in reality what we are doing is word processing the information, making adjustments along the way, those would be reported to you, so you would be aware along the way. See it is more as help with word processing but really it is District Staff. Audit Committee At-Large Member Dobler says it doesn't say that in the engagement as it says you are helping prepare so he sees that as a difference. We need to get clarification on accounting matters and he sent a list to the Chairman today and that he is hearing that the management policies are theirs and we aren't touching them – is that correct more or less? Ms. Farr said she wouldn't go that far and if there are any policies that violate GAAP, we would point that out to you and noted that there is a lot of subjectivity so we will point it out, for example, if a threshold is too high or too low. Audit Committee At-Large Member Dobler said that when you prepare a representation that people truly understand what is going on. The Moss Adams representative believes

truly that this facility fee in the Community Services and Beaches is not an operating revenue and he thinks it is another financing resource, and, to him, if you had it below the line, that could truly show what we need to depend on from an imposed transaction and he thinks that Moss Adams is 100% right on that so he thinks these accounting treatments really need to be explored. Audit Committee At-Large Member Tulloch said Audit Committee At-Large Member Dobler referred to a capitalization discussion we had previously and that the auditor previously had a much more fluid definition of materiality than yours and that the items on the pipeline far exceed the 1% materiality threshold so this committee didn't accept their or management's interpretation and we were still opposed that things were not changed and that this is still very much an outstanding issue and that as a member of the Audit Committee he would certainly be bringing that up to look for a revision to that and so he just wants to provide fair warning of that and if the incorrect capitalization of assets within the Utility Fund has not been looked at as well as other areas that this will be brought up and that we can have a separate discussion about that if you wish.

He is more familiar with corporate world audits where things are done properly unless one is Enron where the auditors were in cahoots with management but normally a corporate audit is looking to make sure things are being done properly and that what was surprising to him, in reading through the engagement letter, was the complete lack of any representations and warranties, no real come back on that, so he has concerns as he would hate to see us get into a City of Bell type of situation where things are being audited in accordance with government accounting but that nobody is noticing what is actually happening. Is this a case where we should be extending the scope of the audit to get more assurance that things are correct or is this just normal in government accounting? Ms. Farr said she does think that there is a huge misunderstanding of what a financial statement is and that when people hear the words audit, it gives them false assurance in some ways so if you have concerns about things that are not covered in the definition of determining whether the financial statements are materially misstated then you should certainly come up with an agreed upon procedure or other procedures that should be performed outside the audit to give you that comfort that you are looking for. Audit Committee At-Large Member Tulloch said he is slightly surprised by that since a recently departed member of the Board made the public statement that is on the records that our accounting and financial practices must be perfect because we were given a clean bill of health by our auditors so you would say that is actually an incorrect statement? Ms. Farr said she doesn't know the facts

but that is placing a lot of reliance on a financial statement audit opinion, yes. Audit Committee Chairman Dent said thank you and looks forward to getting a schedule of milestones.

E.2. Review and discuss Nevada Revised Statutes and Board Policy as it relates to the annual audit (Requesting Audit Committee Member: Audit Committee Chairman Matthew Dent)

Audit Committee Chairman Dent gave an overview of the submitted materials. Trustee Schmitz said when you highlight these items, were they a concern or an issue as she is not quite sure why certain sections were called out but that she reviewed our meeting minutes and on page 29, which is 2.8 and when we get into the whistleblower policy, the very last statement, where it says "...any submissions..." and it is specific to "... internal controls, accounting matters, and suspected fraud" and when we discussed the whistleblower policy at our last meeting, we talked about how the Audit Committee would be the repository and things would go out from there so this was something that in our meeting minutes that identified was something that we needed to take a look at. So the other items, she doesn't know quite why they are being called out unless someone thought that they should be changed so she is looking for clarification there. Audit Committee Chairman Dent said you were correct about areas that were to be changed and that this is building upon two meetings back and then on areas that we should focus on as regards to our work plan. These were the suggestions that Audit Committee At-Large Member Aaron had for milestones. Audit Committee At-Large Member Dobler said paragraph 2.4.7 in Policy 15.1.0, says "...assess the performance of the independent auditor.."; we never really did that and what do you mean by "performance" as we were left in the dark, and that other than not being informed, he doesn't know how to assess their performance. Audit Committee Chairman Dent said we can develop that and that last year was training so we are moving forward to a new section. Some of these things are vague and do you want to focus on the few items in the NRS? Audit Committee At-Large Member Dobler said his intent is just produce all of the NRS statutes that are related to the audit. He thinks there were 4 or 5 statements and that the Audit Committee Chairman put in bold some things that he found to be pretty interesting. Audit Committee At-Large Member Dobler then verbally went over the material and summarized that the whole point of this item was to determine if the District was in compliance however that it required more study before making that determination. Audit Committee Chairman Dent said yes, he did go through and bold them, agenda packet page 31, that is his fault. We can

all study this and then determine how detailed we want this to be. Trustee Schmitz asked if there was some place we can have this on the website as it is really good information and we should continue to review this on a periodic basis? Audit Committee Chairman Dent said we can have a little section on the webpage called “So You Want to be a Trustee” and that he feels like this information can be reviewed on June 9. Trustee Schmitz said on agenda packet page 31, paragraph 4., it says evaluate internal controls and they don’t evaluate them but they do review them to ensure the District is compliance. Audit Committee Chairman Dent said we can review that.

E.3. Review, discuss, and possibly approve Whistleblower Procedure under Board Policy 15.1.2.8 (Requesting Audit Committee Member Sara Schmitz; Requesting Staff Member District General Counsel Josh Nelson)

District General Counsel Josh Nelson gave an overview of the submitted material. Trustee Schmitz gave an additional review of the submitted materials and went over specific items. Audit Committee At-Large Member Tulloch said he has a few concerns – on page 40, item C., there is nothing in the procedure that identifies the action of the Chair of Board yet we detail what the Audit Committee Chair does. No offense to District General Counsel, we talk about legal counsel and general counsel, both terms are used. The Audit Committee can assume there is confidentiality there and no attorney/client privilege, agenda packet page 43, bottom, there is a gap and disconnect with the Board Chairman. Trustee Schmitz asked for more specifics. Audit Committee At-Large Member Tulloch said it is at the bottom of agenda packet page 41 and referred to the statistics. Trustee Schmitz said it is all the Audit Committee. Audit Committee At-Large Member Tulloch said further up, it is the Board Chairman. Trustee Schmitz said it is about options for the employees. Audit Committee At-Large Member Tulloch said understood and asked how is the Chair of the Audit Committee going to track it? District General Counsel Nelson said they are not tracking everything and that it can be tweaked. Audit Committee At-Large Member Tulloch said if we are setting out procedures, we need to be consistent and not leave them open. District General Counsel Nelson said the policy language is important to have detailed out, that this is fostering the speak up culture, and making sure there are different ways to report it. We can clarify Board of Trustees Chair versus Audit Committee Chairman. Audit Committee At-Large Member Tulloch said we are leaving it wide open for the Chair of the Board which is inconsistent. Trustee Schmitz said we presently have nothing, so let’s implement something, and we can update it. If we can’t get the point to

having something, we have nothing. Audit Committee At-Large Member Tulloch said the general outlook is correct and that the devil is in the detail. Things will fall through the cracks and it is spelled out for one party and not the other so it is inconsistent. Trustee Schmitz said one of the things we can do is to update the Trustees handbook by outlining the roles and have something in it about the Chair so maybe that is something else that should be evaluated. District General Counsel Nelson said it is important to draw distinction between contracts and policies, detailed on contract but clear enough for non-lawyers and laypeople to read it, so you have to balance the tension. He would defer to the Audit Committee on what you want to do and if you are concerned about that one issue being unclear, we can add one sentence that says "Chair of the Board of Trustees shall provide a copy to General Counsel and take action". Audit Committee At-Large Member Tulloch said we agree to differ and that he has every right to make a point. The best practice is to use third parties; do you have concerns with that? No offense to anyone but he still has concerns especially with the community size. Those are his points, these are good efforts, and we are getting much closer but it still needs clean up. Audit Committee At-Large Member Dobler said he has never been involved in one of these, he is a financial guy and can read statutes better than anyone, so he would like to abstain from this and he doesn't see himself voting on anything or being involved in any way. Trustee Schmitz said, on bottom of agenda packet page 41, "... engage an outside resource..." have that in there if we need it to be an external resource. Audit Committee At-Large Member Tulloch said he sees that and that he would strike paragraph 2 there. Trustee Schmitz said these are options because it may be appropriate to go to the General Manager, as an option, the General Manager would be the appropriate but it is the decision of the Audit Committee Chair. Audit Committee At-Large Member Tulloch said as is also the decision point to whistleblower. No offense to anyone as he is trying to make it worthwhile. Trustee Schmitz said she is trying to make it realistic. District General Manager Winquest said we do have a current program, we can improve on the one we have, met with District General Counsel and Trustee Schmitz and he is comfortable with the compromise. He understands where At-Large Member Tulloch is coming from and the lack of trust but do understand that if there is an issue with his Staff, there needs to be a clear path and that it is not fair to say that the District General Manager should be left out completely as that is saying that there is no trust that the District General Manager is going to handle the situation appropriately. District General Manager Winquest closed by stating that he is comfortable with the present draft and that Staff would like to get this

approved and then make adjustments as this has been a can that has been kicked down the road for a long time.

Audit Committee At-Large Member Dobler said Trustee Schmitz said there is no whistleblower program presently and the General Manager says there is a whistleblower program – which is it? District General Manager Winquest said we do have an existing process implemented by the prior Audit Committee. Our prior Director of Human Resources was working on it with Trustee Schmitz. We do have a process that our employees are aware of and Staff is fine with making it more robust so it meets all practices. Trustee Schmitz said the General Manager is correct and her recollection is that the prior Audit Committee process was to send an e-mail to the District Clerk – is that correct? District General Manager Winquest said no, we changed that to the Audit Committee Chair. Trustee Schmitz said she can get the present process for At-Large Member Dobler. Audit Committee At-Large Member Tulloch said he is a trust but verify person and that he has experience with several whistleblower programs and that he has experience has been that when things go through Human Resources and management, they are suppressed.

Trustee Schmitz made a motion to adopt the whistleblower policy with the changes to clarify and make consistent instead of legal counsel should be general counsel and clarify when chair is used, clarify whether it is Board of Trustees or Audit Committee. Audit Committee Chairman Dent seconded the motion.

Audit Committee At-Large Member Tulloch said we can't make a motion with changes like that. District General Counsel Nelson said there is sufficient specificity in the motion to proceed. Audit Committee At-Large Member Dobler said the previous statement is withdrawn; his vote will be no.

Audit Committee Chairman Dent called the question, Trustee Schmitz and Audit Committee Dent voted in favor of the motion and Audit Committee At-Large Members Tulloch and Dobler voted opposed. The motion failed.

District General Counsel Nelson said one of the challenges is getting some direction on this. Audit Committee At-Large Member Tulloch said we bring this back urgently with a special meeting with the modifications and adding more specificity around the Chair of the Board and tying that back in. Trustee

Schmitz said if we have to provide specificity on Board Chairman, are we going to be asked to write specific things, because there are five different ways to bring things forward so why not have the same requirements for the others – she is confused. Audit Committee At-Large Member Tulloch said he agrees with that confusion. Trustee Schmitz said how specific and detailed does a policy have to be? She doesn't know what we have to do other than allow them to speak up and that she is concerned about the path we are going down here. Audit Committee At-Large Member Tulloch said he too is concerned. If a whistleblower wants to come forward and discuss something, he should have an idea of what is going to happen. He assumed there are processes in place to deal with that, if we missed that, perhaps the General Manager can respond. District General Manager Winqest said the way we train our Staff is to go to their direct supervisors and if not the supervisor, then they can go above them. In the event they need to go straight to the District General Manager, they have the ability to do that. Things do sometimes come to supervisor, handled, sometimes get our Human Resources involved and legal counsel involved. That is our process that we have right now and there hasn't been an email to come to the District Clerk or Chairman Dent, so we are currently handling it. Audit Committee Chairman Dent said Audit Committee At-Large Member Tulloch can work with legal counsel to get the language in there. Audit Committee Chairman Dent said we will revisit it at our next meeting.

E.4. 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)

E.4.a. Memorandum from Cliff Dobler to District General Manager, Director of Finance, IVGID Board of Trustees with a copy to the IVGID Audit Committee dated April 8, 2021 – Funding Public Parks through General Fund resources

Audit Committee Chairman Dent deferred this item to the next Audit Committee Meeting.

D. REPORT ITEMS (information for the Audit Committee and public)

D.2. Informational Update on Internal Controls Project (Requesting Staff Member: Director of Finance Paul Navazio)

Audit Committee Chairman Dent deferred this item to the next Audit Committee Meeting.

F. LONG RANGE CALENDAR REVIEW

Audit Committee Chairman Dent scheduled the next Audit Committee meeting for Wednesday, June 9 at 4:00 p.m. and noted that the work plan from auditors will be on the agenda.

G. APPROVAL OF MEETING MINUTES (for possible action)

G.1. Audit Committee Meeting Minutes of March 11, 2021

Audit Committee Chairman Dent asked for changes, none were submitted, so the meeting minutes were approved as submitted.

H. PUBLIC COMMENTS*

Frank Wright said as far as the whistleblower policy goes it is horrible, everything you are doing is horrible. He is a whistleblower and he would rather not be identified but there is nowhere to go. As to it is being dealt with, it is not because no one ever did anything about Eric Severance. Don't understand the whistleblower program and people will block this policy. We need to have an independent third party as there are more people in this community who have a whole ton of stuff and that he is wondering if this committee is dumping this or not. He can't go to anybody because he becomes the naysayer and there is no policy here. Trustee Schmitz' efforts are horrible. Make it an independent place and oversight on all these people who want to shove it under the table. Glad we didn't vote on it as he hopes that you can find an independent place to go that is outside the District.

I. ADJOURNMENT (for possible action)

The meeting was adjourned at 5:56 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.