



Incline Village General Improvement District

Forensic Due Diligence Accounting Services Review

Preliminary and Tentative
Draft For Discussion Purposes Only





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August 19, 2024

Ray Tulloch, Audit Committee Chairman
Incline Village General Improvement District
893 Southwood Blvd.
Incline Village, NV 89451

Dear Mr. Tulloch,

We have completed our scope of work pursuant to the forensic due diligence¹ accounting services requested by Incline Village General Improvement District and are pleased to present our report to you. The accompanying report includes an introduction and summary of work performed, together with an executive summary, a detailed summary of our observations and recommendations, and the accompanying appendices.

This report has been prepared in accordance with the terms of our engagement as consultants and should not be used for any other purpose. The information in this report is based on information provided to us, which has not been examined or reviewed by us in accordance with attestation standards promulgated by the American Institute of Certified Public Accountants.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than management.

We would like to express our gratitude to the employees involved with this project. Each person involved was accessible and responsive to our requests for information.

Sincerely,

RubinBrown LLP

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¹ The term due diligence for purposes of this project is an analysis of certain transactions and processes and was not performed in conjunction with a buy or sell transaction as due diligence may traditionally be thought of.

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Introduction

Background

In 1961, the community of Incline Village was being developed by the Crystal Bay Development Company. In order to pay for improvements, Incline Village General Improvement District ("District", "IVGID") was created by Washoe County on June 1, 1961 authorizing the newly created District to levy taxes to pay for improvements and for five elected Trustees to set up and run the District.

Currently IVGID's structure includes eight departments overseen by a General Manager, who reports to the Board of Trustees. The departments include Information Technology, Human Resources, Finance, Administrative Services, Parks and Recreation, Ski, Golf and Community Services, and Public Works.

Scope

We were engaged to perform forensic due diligence accounting services for IVGID, and the scope of our services is as detailed in our agreement dated February 5, 2024.² Our scope covers three fiscal years, including July 1, 2020 through June 30, 2021 ("FY2021", "fiscal year 2021"), July 1, 2021 through June 30, 2022 ("FY2022", "fiscal year 2022") and July 1, 2022 through June 30, 2023 ("FY2023", "fiscal year 2023"), collectively identified as the "Scope Period"³. Our scope of work is provided below for reference:

- 1) Interview 20 individuals including the IVGID Trustees, IVGID General Manager, IVGID Department Heads, and two at-large Audit Committee Members.
- 2) Search three years of emails, for the period July 1, 2020 through June 30, 2023, for up to 12 individuals as determined by RubinBrown looking for indications of inappropriate financial activity.
- 3) Vendor Disbursements Analysis - Perform analysis of the vendor disbursements using the underlying accounting system data for three years to understand trends and identify irregularities and/or errors. Perform tests to verify the validity of the vendors to whom disbursements are made to assess whether or not any vendor disbursements are to "dummy" (e.g. fake) or related party vendors.
- 4) Vendor Award (Procure to Pay) Process - RubinBrown will review the process for awarding contracts to vendors and specifically review the award of contracts over a certain dollar threshold (\$500,000 as a starting point), up to 10 per fiscal year, for the period July 1, 2020 through June 30, 2023. This will include:
 - a. Determining who was in consideration for certain contracts.
 - b. The cost associated with the various bidders.
 - c. The rationale for awarding the contract to the chosen bidder.
 - d. Approvals in line with established DOA.
 - e. Show bid comparisons and % difference from awardee to lowest bid.

² RubinBrown Executed Contract 2.5.2024

³ Our scope of work was limited exclusively to the Scope Period and we did not look at activity and/or data outside of this identified Scope Period, aside from verbal updates from Baker Tilly and/or IVGID personnel.

NOTE: This will also include review of change orders and contract modifications.

- 5) Credit Cards - RubinBrown will analyze credit card activity for three years for up to 8 members of the IVGID team, as determined by RubinBrown in consultation with the Interim Director of Finance and the Chair of the Audit Committee. As part of this, RubinBrown will:
 - a. Analyze the data at a transaction level and, where possible, tie those transactions to supporting documentation (i.e. receipts).
 - b. Review that charges are in line with any established policies, if applicable.
 - c. Determine how charges are paid/reimbursed to ensure they were not paid twice (i.e. Accounts Payable and expense report).
 - d. Review for separation of duties for review/approval.
- 6) Financial Reporting - Specifically review the accounting for the following areas:
 - a. Capital accounting for land and equipment.
 - i. Capex project approval process (initial and overruns).
 - ii. Review capital projects for potential bid splitting.
 - b. Review capitalization vs. expensing of repairs and maintenance costs against established policies.
 - c. Cash
 - i. Physical access to vault and schedule of deposits.
 - ii. Policy on petty cash on hand.
 - iii. Review bank reconciliations prepared for all bank accounts during three year period to determine nature of reconciling items and appropriate disposition. Assess impact of bank accounts that remain unreconciled.
 - d. Review client provided list of whistle blower activity related to financial reporting and follow up procedures to be agreed upon with the client.
- 7) Financial Statement Analysis - Using the underlying data from accounting system exports, perform analysis of the detailed profit and loss statements and detailed balance sheets for three years to understand trends and identify irregularities and/or errors. We will also analyze the underlying transaction data from a General Ledger export to investigate for any irregularities.
- 8) Review the existing written cash handling procedures, and make recommendations for improving them including:
 - a. Physical access and chain of custody at three locations with the largest cash transactions.
 - b. Reconciliation of cash drawers to transaction logs.
 - c. Review samples of cash handling for compliance with policy.
- 9) Fraud Risk Assessment - RubinBrown will perform a fraud risk assessment using the template included in our proposal. Based on RubinBrown's review of documentation, interviews and analysis, we will customize this risk assessment to IVGID's needs. The completed assessment along with RubinBrown's recommendations deriving therefrom will serve as one of the deliverables on this project.
- 10) Investigation into up to 12 whistleblower complaints, as identified by the Chair of the

Audit Committee.⁴

11) Investigation into up to 7 specific complaints, as identified by the Interim Director of Finance, based on information received from the forensic auditor, internal staff, the Chair of the Audit Committee, and/or members of the community.⁵

12) Reporting - There are two deliverables as part of this engagement. The first is a report reflecting RubinBrown's findings resulting from the review of materials and related analysis. The second is RubinBrown's fraud risk assessment and related recommendations derived from it.

Summary of Work Performed

For task 1, we interviewed the following 12 individuals as we deemed these interviewees provided sufficient coverage for this task:

Ray Tulloch	Erin Feore	Sara Schmitz	Shelia Leijon
Michaela Tonking	Heather Potts	Dave Noble	Kate Nelson
Matthew Dent	Susan Herron	Mike Bandelin	Bobby Magee

For task 2, we obtained 2,198 emails based on specific parameters, including, but not limited to, the following:

- 1) Emails sent and received by specific individuals as determined by RubinBrown,
- 2) Emails sent and received during our Scope Period, and
- 3) Emails sent and received that contained specific keywords determined by RubinBrown.

Prior to receipt of emails, IVGID removed emails identified as privileged, which included the removal of email communications between IVGID attorneys and emails containing human resource information and/or other confidential personal information. Prior to review of emails, RubinBrown removed an additional 192 emails we deemed privileged.


We reviewed and analyzed the available emails for evidence of improper financial activity, and any information supporting the engagement's other scope areas.

For task 3, we obtained a disbursement listing during our Scope Period and performed analyses, including, but not limited to, the following:

- 1) An analysis of disbursements by year and by month;
- 2) An analysis of disbursements by vendor based on volume and dollar value of the disbursements;
- 3) An analysis of disbursements with rounded dollar values and/or unusual dollar values;
- 4) An analysis of disbursements of certain IVGID departments based upon materiality and risk;

⁴ Any findings from this scope area are denoted in our observations within our report.

⁵ Any findings from this scope area are denoted in our observations within our report.

- 
- 5) An analysis of disbursements relating to specific inventory items, including food and beverage purchases;
 - 6) An analysis of the vendor master file including validity of vendor names, addresses, and other vendor information;
 - 7) Testing of specific disbursements to confirm validity of the vendor and appropriateness of disbursement amount;
 - 8) A comparison of vendor master file and employee master file to identify potential duplications and overlapping data and testing of duplications and overlapping data;
 - 9) An analysis of duplicated invoices between the Innoprise accounting system and the Tyler Munis accounting system;
 - 10) An analysis of initiators and approvers for vendor disbursements;
 - 11) An analysis of disbursements to related parties and/or employees;
 - 12) A reconciliation of disbursements paid and the disbursements posted to the general ledger; and
 - 13) An analysis of check number sequencing and a comparison of missing check numbers to bank statements.


For task 4, we obtained various IVGID purchasing policies and the five-year capital improvement plan summaries for each year of our Scope Period. We reviewed the purchasing policies for process improvements and for compliance with the Nevada Revised Statutes ("NRS"). We made specific selections for vendor awarded contracts and obtained contract support to review the bidding process, contract budget and associated Board of Trustees approvals, change orders, contract modifications, and other various areas to conclude on the appropriateness of the vendor awarded contract and its compliance with IVGID's purchasing policies and the NRS's purchasing policies. Further, we reviewed the process for capitalizing versus expensing specific capital improvement projects.

For task 5, we obtained procurement card records for specific individuals over the Scope Period. We made selections to obtain support to make conclusions on the appropriateness of the transaction support, to ensure the transaction was in line with IVGID procurement card policy, and to determine if a thorough review of expense reports is performed. Further, we reviewed the payments associated with these procurement card selections.

For task 6, we obtained IVGID's capital expenditure ("CapEx") and cash policies. In conjunction with the 'Purchasing Policy for Goods and Services Policy 20.1.0' ("CapEx Policy"), we did the following:

- 1) Reviewed the CapEx policy for improvements regarding capital accounting for land and equipment;
- 2) Reviewed the District's policy and procedures for capitalizing versus expensing repairs and maintenance costs; and
- 3) Tested individual transactions that were capitalized during the Scope Period to ensure appropriateness of the capitalization.

In conjunction with IVGID's Policies and Procedures Manual – Cash ("Cash Policy"), we did the following:

- 
- 1) Reviewed access rights and petty cash policies; and
 - 2) Reviewed the bank reconciliations for IVGID's operating account, health reimbursement account ("HRA"), flexible spending account ("FSA"), and holdings bank account during the Scope Period to identify and assess unreconciled items.

For task 7, we obtained the detailed sales listings from the Vermont point-of-sale ("POS") system ("Vermont POS system") and the Resort Technology Partners ("RTP") POS system during our Scope Period and performed analysis, including, but not limited to, the following:


- 1) A reconciliation from the revenue detailed listings to the trial balances to identify differences;
- 2) Various analyses of RTP sales by scope year, by location (i.e. child ski center, main lodge BBQ), by sales type (i.e. ski group lesson, beverage), and by item type (i.e. group full day lessons, beer) to identify significant and/or unusual revenue fluctuations;
- 3) Testing of individual RTP POS system locations with significant revenue fluctuations year over year to understand rationale for increases or decreases in revenue;
- 4) An analysis of Vermont POS system merchandise sales and discounts by scope year and by golf course to identify unusual trends and/or inappropriate or unapproved discounts;
- 5) An analysis of user accounts in the Vermont POS system to identify inappropriate user access;
- 6) An analysis of merchandise discounts given by user accounts in the Vermont POS system to identify individual employees who may be giving unapproved and/or significant discounts;
- 7) An analysis of green fee sales and discounts by scope year, by golf course, and by type (i.e. resident, non-resident, guest of resident) to identify unusual and/or significant fluctuations;
- 8) Testing of individual green fee transactions to obtain support for appropriateness and approval of discounts;
- 9) Testing of individual green fee play pass transactions to obtain support for appropriateness and verification for use of the play pass; and
- 10) Testing of individual general ledger transactions for the Vermont POS system, RTP POS system, and green fees detailed listing.

Further, we performed a comparison of the financial statement account classifications on the trial balance to the financial statement balances on the profit and loss statements and detailed balance sheets to identify unapproved and/or inappropriate changes in financial statement classifications during the manual financial statement consolidation process.

For task 8, we obtained the Cash Policy to make recommendations regarding cash access and cash drawer reconciliations if necessary. Further, we performed an on-site observation of a cash walkthrough⁶ to ensure compliance with the Cash Policy.

For task 9, we performed a fraud risk assessment based on our observations, interviews, and analyses, which is attached as Appendix 1 to this report.

⁶ We performed an on-site cash walkthrough that consisted of observing IVGID team members during key points of the cash movement process at specific IVGID locations including accessing the District's main vault.



For task 10, we reviewed and performed testing on five whistleblower complaints that related to the accounting and/or finance functions and that were not already being tested within a different scope area.⁷

For task 11, we reviewed and performed testing on five individual complaints that were advised to us by internal staff and/or the Chair of the Audit Committee.⁸

We have attached Appendix 2 to this report which contains charts for specific analyses we performed in conjunction with the scope items above.

Executive Summary of Observations

We have identified a high risk of fraud and abuse within IVGID's control environment given the aggregation of the internal control weaknesses identified at the transactional level all the way through the review and monitoring process of internal controls within the District. IVGID's lack of internal controls around the financial reporting function makes it difficult for the organization to effectively detect or prevent inappropriate activity.

The Association of Certified Fraud Examiners ("ACFE") broadly defines "fraud" as any activity that relies on deception in order to achieve a gain.⁹ In the context of a business or organization, fraud is an intentional act by one or more individuals involving the use of deception to intentionally misstate financial statements, misappropriate assets or use corruption for personal gain.

According to Black's Law, fraud becomes a crime when it is a "knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment."¹⁰ In terms of what would constitute fraud, that determination has to be ultimately concluded by a judge and/or jury.

Note that our scope included performing a fraud risk assessment which involved evaluating the risk of fraud inside IVGID. Our conclusion that there is a high risk of fraud inside the organization is based on the loose internal control environment which could provide opportunity¹¹ for someone to commit fraud. As noted throughout our report, reducing the opportunity for someone to commit fraud by strengthening the internal controls environment is the best way to further protect the District from potential fraud threats.

Some examples of internal control weaknesses we identified include some data was not available as seen in Figure 1, some support was not available as seen in Figures 5 and 6, and inconsistencies exist between data reported in the accounting system and POS systems as discussed in observation 1.

Some observations to highlight also include a lack of internal controls around IVGID's disbursement process. We identified instances where vendor disbursements were paid that had an employee both initiate and approve the disbursement and several instances where vendor disbursements had no

⁷ Any findings from this area are denoted in our observations within our report.

⁸ Any findings from this area are denoted in our observations within our report.

⁹ www.acfe.com

¹⁰ Black Law's Dictionary.

¹¹ Note that there are three components to the fraud triangle – opportunity, rationalization, and pressure.

¹² IVGID represents based upon their review that many of these unapproved transactions appear to have been subsequently cancelled or voided.

approver.¹² Refer to Figure 1 for approver status by disbursement amount and by number of instances for each year within the Scope Period.¹³

Figure 1 Approver Status by Disbursement Amount and Number of Instances in Fiscal Year 2021

Approver Status	Disbursement Amounts	Percentage of Total	Number of Instances	Percentage of Total
No Approver	\$ 1,267,967	7%	64	1%
Created and Approved by Same Individual	\$ 1,767,260	10%	26	0%
Approved by Another Individual	\$ 14,754,464	83%	6,668	99%
Data Unavailable	\$ 11,236	0%	3	0%
Total	\$ 17,800,927	100%	6,761	100%

Figure 1 Approver Status by Disbursement Amount and Number of Instances in Fiscal Year 2022

Approver Status	Disbursement Amounts	Percentage of Total	Number of Instances	Percentage of Total
No Approver	\$ 810,525	5%	58	1%
Created and Approved by Same Individual	\$ 11,686	0%	12	0%
Approved by Another Individual	\$ 17,149,702	93%	7,147	96%
Data Unavailable	\$ 420,698	2%	199	3%
Total	\$ 18,392,611	100%	7,416	100%

Figure 1 Approver Status by Disbursement Amount and Number of Instances in Fiscal Year 2023

Approver Status	Disbursement Amounts	Percentage of Total	Number of Instances	Percentage of Total
No Approver	\$ (9,641)	0%	71	1%
Created and Approved by Same Individual	\$ 254,715	1%	217	2%
Approved by Another Individual	\$ 17,939,220	63%	6,515	65%
Data Unavailable	\$ 10,209,851	36%	3,203	32%
Total	\$ 28,394,145	100%	10,006	100%

The issues we have identified above and throughout our report are a result of a number of issues including the loose culture around controls over the finance and accounting functions, which has resulted in a lack of preparing reconciliations and lack of segregation of duties. Other issues identified include high turnover and the management-led implementation of a new accounting system that was not effectively executed and continues to be underutilized by IVGID departments and does not reflect an effective internal control environment. These observations, along with the detailed observations in our report, indicate one or more of the following:

- a lack of compliance with written procedures and policies;
- a lack of internal controls; and
- mismanagement of the District.

Throughout this report, we have made a number of recommendations to improve IVGID's compliance with procedures, internal controls, and management of the District, which can be implemented to reduce the risks identified during the Scope Period.

As a first priority, IVGID should ensure that management represents an appropriate tone at the top, and management should develop, maintain, and monitor an improved internal control environment. Per the District's Resolution 1898 'Personnel Management', the Board of Trustees is responsible for establishing overall policies and the General Manager is responsible for applying these policies within the day-to-day activities of the District. As such, the tone at the top should be cultivated together by the Board of Trustees and General Manager and flow through to other senior leadership and ultimately to IVGID staff. After an effective tone at the top is established, and an improved internal

¹³ Due to system limitations, we were unable to obtain the initiator and approver data for all disbursements reviewed throughout the Scope Period, and we have differentiated those disbursements in Figure 1.

control environment is in place, the next step should ensure that the Tyler Munis accounting system is running accurately and effectively, which includes implementing preventative and detective controls, some of which we discuss in recommendations throughout our report.

IVGID should consider our fraud risk ranking of the observations in our report and determine the most appropriate course of action for remediating these observations. Refer to Figure 2 for our consolidated fraud risk rankings and refer to each specific observation in the report for its individual risk ranking.

Figure 2 Fraud Risk Rankings

<u>Number of Observations</u>	<u>High</u>	<u>Moderate</u>	<u>Low</u>
41	16	12	13

Detailed Observations and Recommendations

Observation #1: Tyler Munis Implementation

Fraud Risk: **High**

IVGID converted to the Tyler Munis accounting system in July 2022. There has been an ongoing lack of consistent and timely issuance of financial reporting since the Tyler Munis system implementation occurred. This is due to an unsuccessful implementation, which is a result of poor planning and poor execution and not the functionality of the accounting system itself. Other impacts from the Tyler Munis system implementation include, but are not limited to, the following:

- (1) There are POS systems that are independent of the accounting system where customer transactions are recorded in real-time at, for example, the various golf courses and merchandise stores, during customer check-outs. Data from the POS systems are typically exported daily and/or multiple times a week to be input into the Tyler Munis system by the accounting staff. It is difficult to export reports correctly after the implementation occurred, and thus multiple reports for the same dataset may contain different results depending on whether or not the report is exported from the POS systems or the Tyler Munis system. For example, we observed unexplained variances between the exported sales reports from the POS systems and the Tyler Munis system. Further, IVGID was unable to extract certain data from the Tyler Munis system. Refer to observation 2 in this report for an example of data that management was unable to extract from the Tyler Munis system.
- (2) IVGID was unable to make vendor payments from the Tyler Munis system until January 2023. As a result, IVGID would process an invoice and make the invoice payment through Innoprise, the prior accounting system, and IVGID would simultaneously input the invoice into the Tyler Munis system. In effect, the invoices in the Tyler Munis system were shown as approved, but not paid (i.e. outstanding invoices), although they were paid through the Innoprise system. IVGID made efforts to remove paid invoices that were entered into both systems. Within our analysis, we were unable to identify evidence of duplicated payments between the two systems.

- (3) As a result of the duplicative transactions entered into the Innoprise system and Tyler Munis system, IVGID encountered challenges when performing bank reconciliations. Refer to observations 4, 5, 6, and 7 in our report for further details regarding bank reconciliations.
- (4) IVGID departments are tracking activity outside of the Tyler Munis system in Excel spreadsheets. For example, Public Works is tracking project spend information outside of the Tyler Munis system in Excel spreadsheets as there are issues accumulating and coding costs in the Tyler Munis system. It is unclear how often this project spend information on the Excel spreadsheets are updated and reconciled to the Tyler Munis system.

Recommendation:

We recommend IVGID hire dedicated resources to assess, and assist with, the implementation of the Tyler Munis system. It is our understanding that the Assistant Director of Finance and the Director of Information Technology are working diligently on this.

Observation #2: Initiators and Approvers of Vendor Disbursements

Fraud Risk: **High**

As mentioned in the “Executive Summary of Observations” section of our report, we identified several instances involving vendor disbursements that were made by an employee that both initiated and approved the disbursement, as well as several instances involving vendor disbursements that had no approver. Refer to Figure 1 below, also seen within the “Executive Summary of Observations” section of our report, for approver status by disbursement amount and by number of instances for each year within the Scope Period.

Figure 1 Approver Status by Disbursement Amount and Number of Instances in Fiscal Year 2021

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Total	\$ 28,394,145	100%	10,006	100%

Seven IVGID employees authorized disbursements without approval for the following disbursement amounts and number of instances as shown in Figure 3. Additionally, eight IVGID employees authorized and approved their own disbursements, which represents the lack of proper segregation of duties within the disbursement process. The disbursement amounts and number of instances can

be seen in Figure 4. We made selections for specific instances of these unapproved disbursements and disbursements created and approved by the same individual. We ensured our selections were for various disbursement amounts, vendors, transaction dates, and were inclusive of different IVGID personnel to ensure a variety of samples throughout the scope period. We inquired with Management for how and why this occurred, and Management explained that the occurrences were due to a lack of personnel.

Figure 3 No Approver by Employee, Disbursement Amount and Number of Instances in Fiscal Year 2021

Employee	Disbursement Amounts	Number of Instances
A	\$ 348,271	34
B	\$ 841,457	2
C	\$ 65,126	22
E	\$ 12,798	4
F	\$ 259	1
G	\$ 56	1
	<u>\$ 1,267,967</u>	<u>64</u>

Figure 3 No Approver by Employee, Disbursement Amount and Number of Instances in Fiscal Year 2022

Employee	Disbursement Amounts	Number of Instances
A	\$ 665,028	52
B	\$ 133,770	2
F	\$ 11,727	4
	<u>\$ 810,525</u>	<u>58</u>

Figure 3 No Approver by Employee, Disbursement Amount and Number of Instances in Fiscal Year 2023

Employee	Disbursement Amounts	Number of Instances
A	\$ (27,935)	45
D	\$ 32,354	3
F	\$ (6,635)	18
G	\$ (7,425)	5
	<u>\$ (9,641)</u>	<u>71</u>

Figure 4 Created and Approved by Same Individual by Employee, Disbursement Amount and Number of Instances in Fiscal Year 2021

Employee	Disbursement Amounts	Number of Instances
E	\$ 899,357	21
B	\$ 520,891	4
H	\$ 347,012	1
	<u>\$ 1,767,260</u>	<u>26</u>

Figure 4 Created and Approved by Same Individual by Employee, Disbursement Amount and Number of Instances in Fiscal Year 2022

Employee	Disbursement Amounts	Number of Instances
F	\$ 11,686	12
	\$ 11,686	12

Figure 4 Created and Approved by Same Individual by Employee, Disbursement Amount and Number of Instances in Fiscal Year 2023

Employee	Disbursement Amounts	Number of Instances
D	\$ 128,382	15
F	\$ 449	1
A	\$ 1,248	1
G	\$ 124,584	198
I	\$ 52	2
	\$ 254,715	217

Further, two individuals interchangeably initiated and approved one another's disbursements during the Scope Period, and these individuals are at different staff levels. This may occur due to the lack of personnel in the disbursement department, whereas an employee who typically initiates a disbursement may need to approve a disbursement and vice versa to maintain segregation of duties. The lack of proper segregation of duties is a result of the loose internal control culture within the District.

A comprehensive review of user access has not been performed since prior to the implementation of the Tyler Munis system.

Recommendation:

We recommend each vendor disbursement have a separate initiator and approver to ensure proper segregation of duties within the disbursement process. We recommend a list (i.e., delegation of authority) of initiators and approvers be retained, updated, and reviewed as needed and the user access in the Tyler Munis system match the approved roles. We recommend initiators and approvers be determined based on staff level and approvers should be at an appropriate level of hierarchy above the initiator. Further, we recommend the disbursements be reviewed on a recurring basis to ensure vendor disbursements were initiated and approved at the appropriate level.

Observation #3: Insufficient Support for Vendor Disbursements

Fraud Risk: **High**

We selected thirty samples to obtain vendor support to assess the appropriateness of the disbursement and validity of the vendor. We ensured the samples were for different vendors with various disbursement amounts and disbursement dates throughout the scope period. Of the thirty samples reviewed, we identified two instances where disbursements were paid to various vendors with no underlying support available for the vendor disbursement. Additionally, we identified five instances where disbursements were paid to various vendors with only internal support provided (i.e. email chain between IVGID employees discussing the vendor amount due) and no third-party support available (i.e. vendor invoice verifying the amount due). The risk with no third-party support available for a disbursement is there is no confirmation that the vendor is not fictitious and no

verification of the amount due. Refer to Figure 5 for specifics on the disbursement amount and vendor for the exceptions identified.

Figure 5 Exceptions of Insufficient Support for Vendor Disbursements

<u>Vendor</u>	<u>Disbursement Year</u>	<u>Disbursement Amount</u>	<u>Exception Identified</u>
Board of Regents	FY2023	\$ 5,600	No support available.
Troy Akin	FY2022	\$ 3,000	No support available.
D.N.V Trust	FY2023	\$ 2,410	No third-party support available.
Veterans Guest House	FY2023	\$ 2,000	No third-party support available.
Honor Flight NV	FY2023	\$ 2,000	No third-party support available.
TRPA - Tahoe Regional Planning Agency	FY2021	\$ 802	No third-party support available.
CA State Controller	FY2021	\$ 119	No third-party support available.
		<u>\$ 15,931</u>	

We made additional selections for vendors that had an exception. We identified five of the seven vendor exceptions did not have additional disbursements during our Scope Period to select for additional testing. For the remaining two vendor exceptions, we identified one vendor had two additional disbursements, in which we elected to test both disbursements, and the other vendor had numerous additional disbursements in which we elected to test five additional disbursements. Of the seven additional selections, we identified two instances that had no third-party support available. Refer to Figure 6 for specifics on the disbursement amount and vendor for the additional exceptions identified.

Figure 6 Additional Exceptions of Insufficient Support for Vendor Disbursements

<u>Vendor</u>	<u>Disbursement Year</u>	<u>Disbursement Amount</u>	<u>Exception Identified</u>
CA State Controller	FY2022	\$ 824	No third-party support available.
CA State Controller	FY2021	\$ 384	No third-party support available.
		<u>\$ 1,208</u>	

These nine exceptions total approximately \$17,139 of the total sample value of \$119,428, or 14.35%. Lack of support to substantiate the vendor disbursements illustrates a lack of controls around the vendor disbursements process and a substantial financial risk for IVGID.

Recommendation:

In conjunction with the initiation of a vendor disbursement within the Tyler Munis system, we recommend the initiator perform a three-way match between the purchase order, vendor invoice, and goods received report (if applicable) prior to approving the disbursement, and the initiator should attach this support to the disbursement. Further, we recommend the approver ensures support is sufficient before approving a disbursement.

Observation #4: Operating Bank Account and Bank Reconciliations

Fraud Risk: **High**

There is an IVGID operating bank account used for daily and normal operating activities.

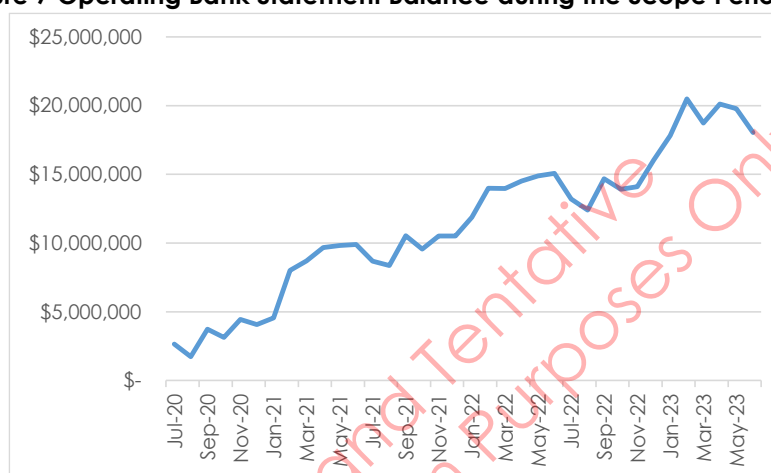
Per discussions with management, bank reconciliations over the IVGID operating account were not performed in a timely manner at the beginning of the Scope Period from July 2020 to June 2022. The lack of performing timely reconciliations is a result of the loose internal control culture within the District.

Beginning July 2022 and through the remainder of our Scope Period, bank reconciliations over the IVGID operating account were not performed. Baker Tilly, an accounting and consulting firm, was engaged by IVGID to perform bank reconciliations for IVGID's operating bank account for the period

of July 2022 to June 2023. We were informed by Baker Tilly that their services concluded in June 2024. As of the conclusion of their services, Baker Tilly acknowledges the bank account reconciliations still do not balance to zero and IVGID is working to adjust the Tyler Munis system for any issues and adjustments needed relating to fiscal year 2023. Additionally, Baker Tilly has trained a current IVGID employee on how to properly prepare the monthly bank reconciliations.

The IVGID operating account is the largest IVGID bank account and has the most activity of the five accounts we reviewed during the Scope Period. Refer to Figure 7 for the balance of the operating account over the Scope Period.

Figure 7 Operating Bank Statement Balance during the Scope Period



Although there is a large increasing operating account balance over the Scope Period, the risk with this bank account is referenced in observation 6 in our report which suggests the activity and balance within this bank account may not reflect all the activity it should due to a lack of reconciliation control.

Recommendation:

We recommend IVGID perform an analysis of the operating bank account to ensure high-volume activity and the increasing balance trend is accurate. Further, we recommend monitoring the operating bank account on a recurring basis as this bank account has an elevated risk of inappropriate activity due to the lack of reconciliation control.

We recommend performing bank reconciliations on all bank accounts no later than 30 days following month-end. Bank reconciliations should include supporting documentation for all reconciling items, including, but not limited to, deposits in transit and outstanding checks. Additionally, we recommend that IVGID designates and assigns employee responsibilities related to preparing and completing the bank reconciliations with the proper segregation of duties and each reconciliation be signed and dated by the appropriate preparer and reviewer. Further, we recommend providing the Board of Trustees with a quarterly reporting package, including the bank reconciliations for transparency, and to ensure a timely completion and review of the key financial information as determined by the Board.

Observation #5: Other Bank Accounts and Bank Reconciliations

Fraud Risk: **High**

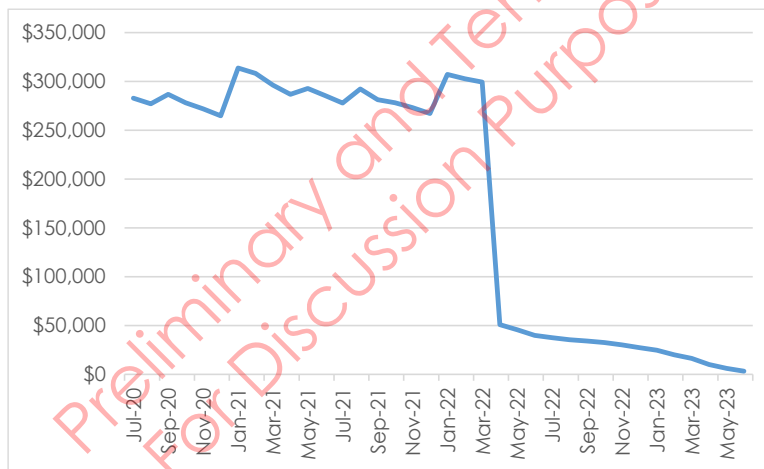
Per our review, IVGID has other bank accounts, aside from the operating bank account, including:

- (1) A payroll bank account which is a clearing account used to process payroll funded by the operating account,
- (2) A health reimbursement bank account used for retaining funds for employee health reimbursements funded by the District,
- (3) A flexible spending bank account used for retaining funds for employee health savings funded by employee elected withholdings for health savings, and
- (4) A holdings bank account that was closed in June 2022 as the bank account was no longer in use.

IVGID does not perform bank reconciliations on the payroll, HRA, FSA, or holding bank accounts. The lack of performing timely reconciliations is a result of the loose internal control culture within the District.

In our review of the bank accounts, no items of interest for the payroll, HRA, FSA, or the holding bank accounts were identified as the frequency and nature of the transactions in these accounts are minimal and significantly less than the operating account. Refer to Figure 8 for the consolidated balance of the payroll, HRA, FSA, and holdings bank account over the Scope Period.

Figure 8 Consolidated Payroll, HRA, FSA, and Holdings Bank Statement Balances during the Scope Period



Recommendation:

We recommend performing bank reconciliations on all bank accounts no later than 30 days following month-end. Bank reconciliations should include supporting documentation for all reconciling items, including, but not limited to, deposits in transit and outstanding checks. Additionally, we recommend that IVGID designates and assigns employee responsibilities related to preparing and completing the bank reconciliations with the proper segregation of duties and each reconciliation be signed and dated by the appropriate preparer and reviewer. Further, we recommend providing the Board of Trustees with a quarterly reporting package, including the bank reconciliations for transparency, and to ensure a timely completion and review of the key financial information as determined by the Board.

Observation #6: Operating Bank Account Reconciliations Have Unreconciled Differences

Fraud Risk: **High**

We reviewed the bank reconciliations available for the operating bank account during the Scope Period, and we observed that the reconciliations show large unreconciled differences between the bank statements and the general ledger balances. For example, the June 2023 bank reconciliation for the operating bank account shows an unreconciled difference of approximately \$7,000,000 between the bank balance of approximately \$18,000,000 and the general ledger balance of approximately \$25,000,000. Refer to Figure 9 for a comparison of the bank statement balances to the general ledger balances, prior to considering management's reconciling items and Baker Tilly's involvement. As mentioned, we understand that Baker Tilly was engaged to perform bank reconciliations, and the scope of their work was completed in June 2024. Refer to observation 4 for further details over Baker Tilly's completed work.

Figure 9 Comparison of Operating Bank Statement Balances to General Ledger Balances in Fiscal Year 2021

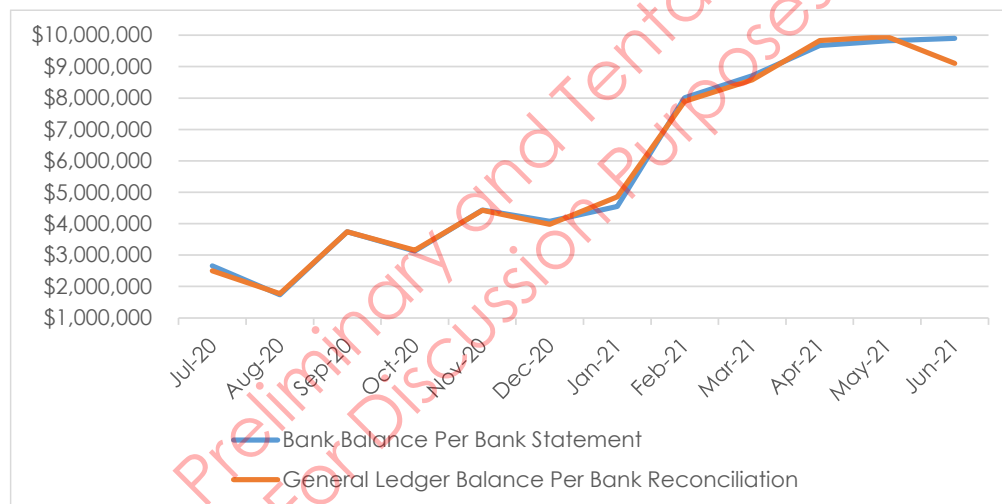


Figure 9 Comparison of Operating Bank Statement Balances to General Ledger Balances in Fiscal Year 2022

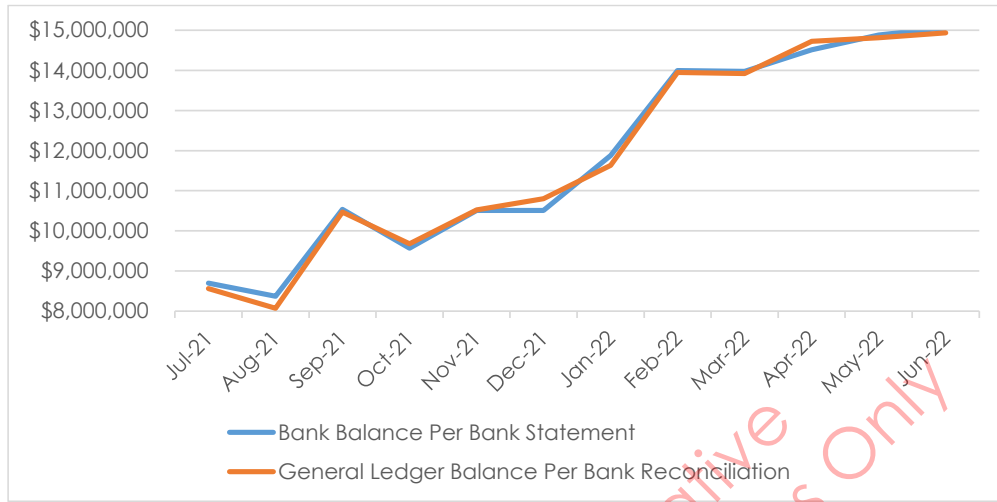
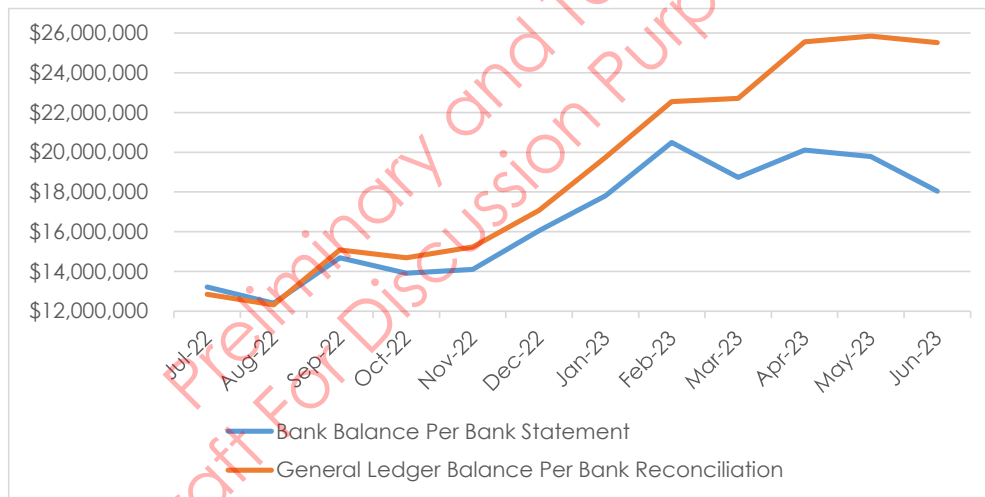


Figure 9 Comparison of Operating Bank Statement Balances to General Ledger Balances in Fiscal Year 2023




Recommendation:

We recommend IVGID investigate and resolve unreconciled items in all bank reconciliations. We recommend bank reconciliations are reviewed for timeliness and clarity relating to the research, explanation, and clearing of reconciling transactions. Further, we recommend IVGID prepare clear and easy-to-follow reconciliations that reconcile the bank balance to the general ledger balance.

Observation #7: Cash Entries Posted to General Ledger

Fraud Risk: **High**

Based on our review of the bank reconciliations available, we observed that IVGID would manually record a monthly lump sum entry into the general ledger to take into consideration the net cash activity shown in the operating account's monthly bank statements. Individual entries for the individual cash transactions in the operating account were not recorded in the general ledger.



Further, we also observed that the lump sum manual entries were not recorded in the accounting system in a timely manner.

Recommendation:

When preparing the bank reconciliations, we recommend that IVGID record the individual cash transactions (i.e. venue driven detail), as shown in the bank statements, in the general ledger, instead of manually recording lump sum entries for the monthly net cash activity. Further, the entries should be recorded no later than 30 days following month-end.

Observation #8: Treatment of Capital Costs

Fraud Risk: **High**

For the fiscal year 2021 the capital asset activity spreadsheet and trial balance information provided for our review were not at a sufficient level of detail to permit the selection of individual transactions for testing. The IVGID personnel responsible for overseeing the District's capital asset accounting were hired and/or became responsible for this accounting after the Scope Period and, as a result, did not have knowledge of IVGID's historical accounting for procurement transactions during the Scope Period. Thus, we were unable to obtain and test additions to construction in progress ("CIP") for the fiscal year 2021.

For the fiscal year 2022 we were provided a spreadsheet of capital asset activity for the fiscal year. The beginning balances of each capital asset category (i.e. utilities, community services, beach) agreed to the beginning balances of the capital asset footnote on the 2022 Annual Comprehensive Financial Report ("ACFR"). However, we were unable to reconcile additions, disposals, and resultant ending balances of capital assets per the spreadsheet to the 2022 ACFR, and we were not provided explanations for the unreconciled balances. We also selected five capital asset additions from the spreadsheet to verify the balances for appropriateness of capitalization and accuracy based on underlying invoice support. We ensured our selections included expenses from various vendors and various amounts. We reviewed the underlying invoice support for the five selections and observed that the capital additions were appropriate and accurate.

For the fiscal year 2023 we were provided a spreadsheet of capital asset activity for the fiscal year. Since the fiscal year 2023 audit was not finalized by the external auditors as of our testing date, there was not an audited, finalized fiscal year 2023 ACFR to use in connection with the reconciliation. As a result, we performed the reconciliation of the spreadsheet by comparing to the unaudited fiscal year 2023 ACFR footnote. For fiscal year 2023 IVGID prepared the capital assets' footnote utilizing a new methodology. The new methodology consisted of IVGID exporting details of the general ledger system with object codes of 8120 (capital expenditures), 7510 (repairs and maintenance), and 7330 (contract services) to identify all items subject to capitalization and determine if they were appropriately included or excluded as a capitalized object code. IVGID utilized Excel functionality to aggregate and sort capital expenditures to create the CIP portion of the capital assets footnote.

Based on our analysis of the 2023 capital asset spreadsheet, we also selected ten capital asset additions from the spreadsheet to verify the balances for appropriateness of capitalization and accuracy based on underlying invoice support. We ensured our selections included expenses from various vendors and various amounts. We reviewed the underlying invoice support for the ten selections and observed that the capital additions were appropriate and accurate.



Recommendation:

We recommend IVGID develop an automated and formalized process for aggregating and tracking the District's capital asset activity as the current process requires the extensive use of Excel outside of the accounting system to accumulate the capital asset data. We further recommend IVGID investigate and consider the use of a capital assets module (whether associated with the current accounting software or a stand-alone module) to track capital assets activity including CIP. We also recommend IVGID implement controls to review capital activity monthly to ensure that all capitalizable items are charged to the correct object code to simplify the process during the preparation of the government-wide financial statements.

Observation #9: Capitalization of Projects Relating to Repairs and Maintenance

Fraud Risk: **High**

We observed projects relating to repairs and maintenance that were capitalized instead of expensed. For example, project 3141L1201 related to the parking lot pavement maintenance at both the Championship Golf Course and the Chateau was capitalized to general ledger asset accounts with the account description of "Capital Improvements" in the amount of \$175,167.

Recommendation:

We recommend that projects relating to repairs and maintenance are expensed as incurred unless the project extends the life or increases the capacity of the asset. We recommend that project capitalizable costs are presented to the Board of Trustees through a standard capitalization request form that describes the capitalizable nature of the cost, the rationale for the extension of life, any additional functionality of the capitalizable items, and the proposed accounting treatment of the project costs. We recommend the Board of Trustees approve the capitalization of projects costs that are in line with the CapEx Policy.

Observation #10: Green Fee Pricing Schedules Not Followed

Fraud Risk: **High**

There is a pricing chart for each golf season that includes golf pricing for each of the IVGID golf courses. The pricing takes into consideration the time of day, day of week and month, and also if the customer is a resident, non-resident, or guest of a resident. We identified instances where the green fee paid by the customer was less than the green fee reflected in the pricing chart, and no support was available to verify that the discounted price was appropriate and/or approved by an appropriate level of authority.


Recommendation:

We recommend training respective employees to follow the approved pricing for golf and other parks and recreation facilities, such as ski slopes and pickleball courts, to include regular monitoring review and analysis (e.g. monthly) to confirm that appropriate pricing is followed.

Observation #11: Green Fee Play Passes

Fraud Risk: **Low**

IVGID provides customers the opportunity to purchase play passes for the golf season. A wide variety of play passes are available including, but not limited to, the following:

- 
- (1) "All You Can Play" pass where an individual can play an unlimited amount of golf rounds during the applicable time frame of the pass.
 - (2) "Limited All You Can Play" pass where an individual can play an unlimited amount of golf rounds during the applicable time frame of the pass, but the pass is limited to specific golf tee times.
 - (3) "10-Round Play" pass where an individual can play 10 rounds of golf during the applicable time frame of the pass. There were 10-round, 20-round, 30-round and 40-round passes available for customers to purchase during the Scope Period.

When a customer utilizes a play pass, the green fee transaction is to be entered into the system as a 'Play Pass' transaction which would reduce the balance of the rounds available to play.

We obtained the detailed listing of play pass activity during our Scope Period at the Championship Golf Course and Mountain Golf Course, and we made selections to test that the play pass was appropriately paid for and utilized within the restrictions of the purchased play pass (i.e. time frame). We made play pass selections inclusive of both golf courses, different times and different pass types to ensure our selections covered a variety of play pass transactions. We identified one instance where the green fee paid was \$0 as the customer was utilizing a play pass, but the transaction was not entered in the system as a 'Play Pass' transaction. Further, we identified two instances where a customer had a "Limited All You Can Play" pass that was utilized outside of the golf tee times permitted for the play pass.

Recommendation:

We recommend training golf course employees to ensure appropriate use of customer play passes and for an appropriate level of management to review play pass transactions on a quarterly basis to ensure the play passes being utilized are during the appropriate time frame and the exceptions we identified above are not continuously occurring. We recommend implementing this oversight at all parks and recreational facilities, including ski slopes and pickleball courts, and ensuring play passes are utilized in line with the policy and that play passes are not issued to citizens without fees. For example, a user of IVGID facilities should not be given a free golf play pass just because the user is a friend of the IVGID golf employee.

Observation #12: Personal Use of Procurement Cards

Fraud Risk: **High**

We identified two instances involving the same employee that made personal transactions using their procurement card. The IVGID employee reimbursed IVGID for both transactions. Using procurement cards for personal transactions is not allowed under the IVGID policy.

Recommendation:

We recommend all IVGID employees review the procurement card purchasing policy in sections 7 and 8 of the IVGID Employee Handbook annually and as needed to ensure employees understand procurement card purchases are to be for the use and benefit of the District. Refer to observation 15 for additional recommendations regarding procurement cards.

Observation #13: Insufficient and Inappropriate Support for Procurement Card Transactions

Fraud Risk: **High**

We sampled individual procurement card expense reports and observed the following:

- (1) We identified one procurement card expense report instance where a general ledger transaction report was provided as support for an expense. A general ledger transaction report does not provide support to ensure the reimbursement requested is the amount per the transaction receipt.
- (2) We identified two procurement card expense reports where no support was available for the transactions submitted. The lack of support provided limits the reviewer from ensuring the reimbursement is in compliance with the procurement card policy.
- (3) We identified three procurement card transactions where the support did not tie to the transaction amount.
- (4) We identified three procurement card expense report instances where support agreed to the total amount for reimbursement but did not show the invoice line-item details that made up the total amount charged to the procurement card. The lack of support provided limits the reviewer from ensuring the total provided for reimbursement was used for appropriate items under the procurement card policy.

Recommendation:

We recommend all IVGID employees review the procurement card purchasing policy in sections 7 and 8 of the IVGID Employee Handbook annually and as needed to ensure employees understand appropriate and acceptable support to be submitted with procurement card expense reports. Refer to observation 15 for additional recommendations regarding procurement cards.

Observation #14: Sales Tax Charges

Fraud Risk: **Low**

In our review of IVGID's procurement card expense reports, we identified one instance that involved a set of transactions where the sales tax amount was duplicated, which overstated the amount paid. IVGID is tax exempt and IVGID purchases should not be charged for sales tax. Over the Scope Period, there were approximately 93 active procurement cards with expenses totaling approximately \$1,485,903. Of the \$1,485,903, approximately \$11,586 relates to sales tax.

Further, as discussed in observation 33, sales tax has been charged on clothing allowance purchases. Per the IVGID Employee Handbook, it is the responsibility of the cardholder to utilize the tax-exempt cards and forms to ensure sales tax is not charged for IVGID purchases.

Recommendation:

We recommend all IVGID employees review the procurement card purchasing policy in section 8 of the IVGID Employee Handbook yearly and as needed to ensure employees understand procurement card purchases should not have sales tax charges. Further, we recommend the disbursement department review vendor invoices to ensure IVGID is not charged sales tax on purchases. Refer to observation 15 for additional recommendations regarding procurement cards.



Observation #15: Oversight of Procurement Card Program and Related Expense Reports

Fraud Risk: **High**

There is limited review of the procurement card activity, including analysis of procurement card spending or a high-level review of procurement card expense reports, outside of the initial approval of a submitted expense report. Per observations 12, 13 and 14, the initial approver of expense reports are not thoroughly reviewing procurement card expense reports to prevent and detect the procurement card expense report observations identified.

Recommendation:

We recommend IVGID properly assigns employees who are responsible for managing, evaluating, and analyzing the procurement card program on a recurring basis to ensure it is in accordance with sections 7 and 8 of the IVGID Employee Handbook. Further, we recommend expense report approvers complete a thorough review of each expense report they are responsible for approving. This review should include, but is not limited to, validating that the expense was for the use and benefit of the District, validating that supporting documentation is appropriate and ties to the reimbursement amount, confirming that reimbursement requests are not duplicated and/or reimbursed with a previous expense report, and confirming that sales tax is not charged to the procurement card.

Further, IVGID should evaluate the intended use of procurement cards as compared to the expenses that are generally incurred on the cards. With that in mind, IVGID should consider restricting the standard industrial classification codes that the card is authorized to be used for thereby automatically restricting purchases that would not be considered appropriate (i.e. retail box stores, gas stations, liquor stores, online retailers, etc.).

Observation #16: Physical Inventory Observations and Reconciliations

Fraud Risk: **High**

IVGID has not performed inventory observations at several locations, including, for example, retail shops and food and beverage, during the Scope Period. The lack of performing timely reconciliations is a result of the loose internal control culture within the District. Further, IVGID does not keep records of food and beverage inventory, including alcohol, in the Tyler Munis system, and thus reconciliations are not performed over this type of inventory.

Recommendation:

We recommend physical inventory observations be performed periodically for all locations at IVGID, inclusive of food and beverage locations. Additionally, we recommend each inventory location have its own general ledger account and for all inventory to be entered into the Tyler Munis system in a timely manner, which should be reconciled no later than 30 days following month-end. Inventory reconciliations should include supporting documentation for all reconciling items and resulting adjustments.



Observation #17: Inappropriate User Access in Point-of-Sale Systems

Fraud Risk: **High**

IVGID employees do not have an individual user account assigned to them within the Vermont system, but instead shared user accounts are used among multiple individuals. Employees using shared user accounts may not be added to the employee master file as they may be temporary or short-term employees.

We observed user accounts that are unlocked that are assigned to terminated or resigned employees. We also observed user accounts that are active and unlocked that do not tie to a past or current IVGID employee per the employee master file. Further, there are user accounts for active employees where the user account is locked due to inactivity of the user accounts and/or the employee locked themselves out of the user account. IVGID is not aware of how to reset user accounts after an account is locked or inactive.

Recommendation:

We recommend each IVGID POS system provide each employee with an individual user account. If the above recommendation is not deemed feasible given IT limitations and/or the turnover given the seasonality of parks and recreational employees, we recommend an approval process for employees who are given access to the shared user accounts and a restriction on the level of activity that can occur on these shared accounts.

Additionally, we recommend reviewing all user accounts for each IVGID POS system to ensure each user account is for active IVGID employees. We recommend user accounts are locked in a timely manner after resignation or termination of an employee.

Further, we recommend IVGID research how to reset and/or remove user accounts that are locked due to a lockout or period of inactivity.

Observation #18: Contracts Awarded May Exceed Board of Trustees Funding Approval

Fraud Risk: **High**

A contract awarded to specific project numbers may exceed the Board of Trustees funding approval. For example, the Board of Trustees approved \$200,000 on May 27, 2020 relating to project 3468RE0002 for the replacement of ski rental equipment to utilize during fiscal year 2021. The memo presented by the District General Manager on March 20, 2021 notes a bid awarded to Solomon for a contract amount totaling approximately \$264,000 and a carryforward balance of approximately \$335,000 from a prior budget year. The approved five-year budget plan for fiscal year 2021 does not include a carryforward balance from a prior year.

Recommendation:

We recommend all contracts awarded be in accordance with the five-year budget plan approved by the Board of Trustees. If any advanced spending of the budget is necessary for a given budgeted year relative to the allocated amount, we recommend timely communication regarding the circumstances of the advance to the Board of Trustees to ensure approval and appropriateness of the advanced spending. Additionally, all carryforward balances should be documented with the

plan summary presented to the Board of Trustees, and documentation should be maintained to substantiate the prior activity related to the projects that are carried forward or postponed to a subsequent fiscal year.

Observation #19: Expenses Incurred Prior to Board of Trustees Funding Approval

Fraud Risk: **Moderate**

Spending activity for projects may occur prior to obtaining project approval from the Board of Trustees. For example, project 2299WS1704 related to the water main replacement on Martis Peak Road, and we identified \$53,776 of engineering expenses incurred, of which \$939 was for external services, prior to the approval of the Board of Trustees on May 27, 2020. Based on our review of the IVGID purchasing policies, there is no discussion over the aggregate dollar limit that can be incurred prior to Board of Trustee approval.

Recommendation:

We recommend that costs are not incurred related to any projects that have not been approved by, or are pending approval of, the Board of Trustees. In effect, the date the Board Of Trustees approves a project should be the earliest date that costs related to that project can be incurred. However, if pre-project studies and evaluation expenses occur, we recommend these costs be expensed and not capitalized. Further, we recommend updating the purchasing policies accordingly.

Observation #20: Yearly Budget Allocations by Board of Trustees May Not be Used

Fraud Risk: **Moderate**

The Board of Trustees will approve projects based on a five-year plan with specific budget allocations for each of the five years presented. Specific budget allocations for each year may not be utilized in the year the Board of Trustees allocated it to be used in. For example, project 1213CO1703 for new laptops, PCs, peripheral equipment, and desk top printers were approved on May 27, 2020 with a five-year budget allocation as seen in Figure 10.

Figure 10 Five-Year Capital Improvement Plan Summary – Approved 5/27/2020

Department Description	Project Number	Project Title	2021	2022	2023	2024	2025	Total
General Fund - Accounting & Information Systems	1213CO1703	District Wide PC, Laptops, Peripheral Equipment and Desk Top Printers	\$97,050	\$ 100,000	\$ 102,950	\$ 105,900	\$ 109,950	\$ 515,850

Per review of the Innoprise system, no transactions were recorded to this capital improvement project for fiscal year 2022, which was allocated a \$100,000 budget per Figure 10 thus resulting in a surplus for the subsequent year. We did not identify the process for handling a surplus and/or a carryforward balance in subsequent years within IVGID policies.

Recommendation:

We recommend the project owner utilize the approved spending for each budget year as approved by the Board of Trustees. If an allocated budgeted amount is not spent, such as in the example observed above, we recommend communicating to the Board of Trustees the surplus and the unused budget be returned to the appropriate fund and not utilized for unrelated purposes without the Board of Trustees approval. Further, we recommend obtaining approval from the Board of Trustees to utilize a carryforward balance in the improvement plan in the subsequent year.

Observation #21: Community Programs and Funding Not Approved by Board of Trustees

Fraud Risk: **Moderate**

There are various instances where community programs, such as memorials, skate parks, and ballparks, for which funding by specific organizations may have occurred without approval by the Board of Trustees. For example, IVGID has 72 benches with name plaques and 4 benches without name plaques. There is no documentation readily available for the benches without name plaques. In our review of board minutes that took place during our Scope Period, we found no discussion of approvals for park benches.

Recommendation:

We recommend IVGID provide complete and timely disclosure of respective programs to the Board of Trustees prior to inception of the programs and receipt of funding. Once respective programs are completed, the cash flows should be reported to the Board of Trustees to show actual versus approved program results.

Observation #22: Informal Process for Receiving Grants and Funding

Fraud Risk: **Moderate**

We investigated five organizations that are self-identified as not-for-profits that may have participated in funding that was not approved by and/or communicated to the Board of Trustees as discussed in observation 21. These not-for-profits include Incline-Tahoe Parks and Recreation Vision Foundation Inc., the Parasol Tahoe Community Foundation Inc., Incline Community Business Association, Rotary Foundation of Incline Village, and Rotary International. We have summarized the information we found per review of the Internal Revenue Service ("IRS") website on these organizations in Figure 11. Additionally, we believe the organization names per the IRS website cross-reference to the organization names per IVGID records as noted in Figure 11.

Figure 11 Non-for-Profit Organization Summary per the IRS Website

<u>Organization Name per IRS</u>	<u>Organization Name per IVGID Records</u>	<u>EIN Number</u>	<u>Deductibility Code</u>	<u>Most Current 990 Filing Year</u>
Incline-Tahoe Parks and Recreation Vision Foundation Inc.	Incline Tahoe Foundation	27-0823168	Public Charity	2020
The Parasol Tahoe Community Foundation Inc.	Parasol Tahoe Community Foundation	88-0362053	Public Charity	2021
Incline Community Business Association	Incline Community Business Association, Incline Community Business Association DBA IVCBA	27-0448179	Not Listed	2021
Rotary Foundation of Incline Village	Rotary Club of Incline Village	88-0395694	Public Charity	2022
Rotary International	Rotary Club of Tahoe-Incline, Rotary Club of Tahoe Incline	86-0856640	Not Listed	Not Listed

We have reviewed the cash disbursements from IVGID to these organizations together with the cash receipts from these organizations which management could identify during the Scope Period. Further, refer to Figures 12 and 13 for details summarizing the disbursements and receipts which management was able to identify during the Scope Period.

Figure 12 IVGID Disbursements to the Following Organizations during the Scope Period

Organization Name Per IVGID Records	Description	Disbursement Year	Amount
Incline Community Business Association	IVCB Veterans Club Annual Membership Dues	FY2023	\$ 150
			\$ 150
Incline Community Business Association DBA IVCBA	IVCBA Membership	FY2021 and FY2022	\$ 483
			\$ 483
Parasol Tahoe Community Foundation	Credit Balance after COE	FY2022	\$ 87
			\$ 87
Rotary Club of Tahoe-Incline	District Dues 10.01.22 , 01.01.23	FY2023	\$ 225
	Quarterly Club Dues	FY2021 and FY2022	\$ 887
			\$ 1,112
Grand Total			\$ 1,833

Figure 13 IVGID Cash Receipts from the Following Organizations during the Scope Period

Organization Name Per IVGID Records	Description	Receipt Year	Amount
Incline Community Business Association	IVCBA - Village Green	FY2023	\$ 50
			\$ 50
Incline Tahoe Foundation	Incline Tahoe Foundation	FY2021 and FY2022	\$ 91,036
	Incline Tahoe Foundation - Sant a Shop	FY2022	\$ 706
	Incline Tahoe Foundation - 4th of July Bob Wheeler Memorial	FY2023	\$ 50
	Incline Tahoe Foundation (park maint labor for bike park)	FY2022	\$ 2,508
	ITF Draw #5 Grant Payment Receipt	FY2022	\$ 47,927
	ITF Trail of Treats Reimbursement	FY2022	\$ 595
			\$ 142,821
Rotary Club of Incline Village	Rotary Club of Incline Village	FY2022 and FY2023	\$ 7,417
	Rotary Club of Incline Village, 2020/09/26	FY2021	\$ 2,800
	Rotary Club of Incline Village, 6.3.2018	FY2021	\$ 105
			\$ 10,322
Rotary Club of Tahoe Incline	Rotary Club of Tahoe Incline, 9/25/2021	FY2022	\$ 1,000
	Rotary Club Tahoe Incline	FY2023	\$ 250
			\$ 1,250
Grand Total			\$ 154,443

In addition to Figures 12 and 13, we have reviewed receipts and disbursements between the Duffield Foundation and IVGID. Refer to observation 25 of the report for observations to note.

We inquired into the process of accounting for the receipt of grant funding, the Board of Trustees' involvement, and the document retention for such grants. In doing so, we have identified the following:

- (1) Typically, IVGID obtains a memorandum of understanding agreement with an organization funding an IVGID community program. Per IVGID management, the memorandum of understanding with the above organizations has not been regularly reviewed and/or stipulations within the memorandum of understanding have not been upheld.
- (2) Documentation surrounding the receipt of these grants provided by the above organizations has not been thoroughly documented regarding the purpose of the grant and the IVGID personnel involved as seen within Figure 14.
- (3) Management has indicated they have a policy regarding independence; however, IVGID employees involved in the receipt of grants may have conflicts of interest with the organizations providing the grants to IVGID and vice versa.

Figure 14 IVGID Cash Receipts Use and Involvement of IVGID Personnel during the Scope Period

Organization Name Per IVGID Records	Description	Amount	Receipt Date	Description	Initiator	Approver
Incline Community Business Association	IVCBA - Village Green	\$ 50	11/18/2022	Rental Deposit for Village Green for a 4th of July event.	Data Unavailable	Director of Parks & Recreation
		\$ 50				
	Incline Tahoe Foundation	\$ 392	12/9/2020	Trail of Treats.	Data Unavailable	Data Unavailable
	Incline Tahoe Foundation	\$ 88,505	6/22/2021	Reimbursement for new equipment and design for certain parks and facilities (approved by BoT).	Public Works Manager	Data Unavailable
	ITF Draw #5 Grant Payment Receipt	\$ 47,927	11/2/2021	Reimbursement for ballfield #3 (approved by the BoT).	Public Works Manager	Data Unavailable
	ITF Trail of Treats Reimbursement	\$ 595	11/2/2021	Trail of Treats.	Parks & Recreation Supervisor	Director of Parks & Recreation
Incline Tahoe Foundation	Incline Tahoe Foundation	\$ 150	12/3/2021	Darren Howard Golf Program.	Data Unavailable	Data Unavailable
	Park maint labor for bike park	\$ 2,508	1/24/2022	Bike Park Maintenance.	Public Works Manager	Data Unavailable
	Incline Tahoe Foundation - Santa Shop	\$ 706	2/16/2022	Facilities Payment (\$594.81) and Santa Shop Payment (\$110.86).	Director of Parks & Recreation	Data Unavailable
	Incline Tahoe Foundation	\$ 1,358	10/19/2022	Planters at the Bocce Ball Courts.	Parks & Recreation Superintendent	Data Unavailable
	Incline Tahoe Foundation	\$ 631	10/21/2022	Bocce Ball Park & Rec Fund (\$315.50) and Parks and Rec Fund (\$315.50).	Director of Parks & Recreation	Data Unavailable
	4th of July Bob Wheeler Memorial	\$ 50	11/18/2022	Rental Deposit for Bob Wheeler Memorial for the 4th of July weekend.	Data Unavailable	Data Unavailable
		\$ 142,821				
	Rotary Club of Incline Village, 6.3.2018	\$ 105	9/3/2020	Entered through Vermont JE upload.	Data Unavailable	Data Unavailable
Rotary Club of Incline Village	Rotary Club of Incline Village, 2020/09/26	\$ 2,800	10/14/2020	Entered through Vermont JE upload.	Data Unavailable	Data Unavailable
	Rotary Club of Incline Village	\$ 1,000	1/12/2022	Playground Install.	Director of Parks & Recreation	Data Unavailable
	Rotary Club of Incline Village	\$ 6,417	10/19/2022	Automated External Defibrillator.	Data Unavailable	Data Unavailable
		\$ 10,322				
	Rotary Club of Tahoe Incline, 9/25/2021	\$ 1,000	9/3/2021	Entered through Vermont JE upload.	Data Unavailable	Data Unavailable
Rotary Club of Tahoe Incline	Rotary Club Tahoe Incline	\$ 250	10/21/2022	Trail of Treats.	Data Unavailable	Data Unavailable
		\$ 1,250				
Grand Total		\$ 154,443				



Recommendation:

We recommend IVGID continue to research the cash flows (disbursements and receipts) with the organizations noted in this observation. Cash activity should be analyzed to determine if cash funding for the community programs with these organizations has occurred in accordance with approval of the Board of Trustees. If activity with these organizations was not previously approved or communicated to the Board of Trustees, we recommend providing a comprehensive list of funding activities that have previously occurred between IVGID and these organizations to the Board of Trustees.

We recommend IVGID evaluate the appropriateness of continued relationships with the organizations noted in Figure 11 to determine if the community programs and activities historically sponsored by these organizations should continue.

Additionally, we recommend ensuring all grant funding and cash receipts from organizations to IVGID have formal documentation and support including the use of the funds and individuals involved.

Further, we recommend all IVGID employees review the outside employment/outside business policy in section 2 of the IVGID Employee Handbook annually and as needed to ensure employees understand their responsibility in ensuring no conflict of interests. Further, we recommend IVGID's independence policy be formalized whereas employees annually acknowledge and document their understanding of the policy which provides IVGID with protections in place against potential impropriety by its employees.

Observation #23: Sequential Gaps within Disbursement Checks

Fraud Risk: **Moderate**

We identified numerous instances during the Scope Period where there are gaps within the sequence of check numbers. Manual errors may cause gaps between check number sequencing. Additionally, when new employees participate in the disbursement process, employees are not consistently using the same check sequence as the preceding employee. Our review of the check gap sequencing indicates the instances are approximately 85% for 1 sequential check number missing, approximately 6% for 2 sequential check numbers missing, approximately 1% for 3 sequential check numbers missing, and approximately 8% for other variations of sequential check numbers missing.

We further investigated a random sample of missing checks throughout the Scope Period. Per our review, we did not find any missing checks per the disbursement listing that were cleared in the bank statements that were paid to IVGID employees or unusual vendors.

Recommendation:

We recommend a disbursement process where check numbers are automatically generated by the Tyler Munis system and employees are unable to alter the generated number. In addition, we recommend a periodic review of check number sequencing and for any unused and/or voided checks to be documented with support.

Observation #24: Vendor & Employee Master Files - Duplicative and Overlapping Record Data

Fraud Risk: **Moderate**

Per review of the vendor master file and employee master file, there are 435 vendors that have overlapping and duplicative vendor information with other IVGID vendors and/or with an IVGID employee. Duplicative data may include vendor name, vendor address, federal tax identification number, federal tax identification address, employee address, and/or employee name. There are 230 unique instances where these 435 vendors have some type of duplicative information. Of these instances, 6 instances involve a vendor having duplicative data with an IVGID employee.

There were approximately \$9,007,964 of disbursements to vendors that have duplicative information as described above. Of the \$9,007,964 of disbursements, \$8,631 was disbursed to vendors that have duplicative information with an IVGID employee.


Refer to Figure 15 for the breakout of instances and the disbursement amounts associated with each instance during our Scope Period

Figure 15 Instances of Vendor Duplication and Disbursement Amounts per Instance during the Scope Period

Type of Duplication	Count of Instances	Sum of Disbursements
Multiple vendors have the same federal tax identification number.	71	\$ 3,573,185
Multiple vendors have the same vendor number.	66	\$ 3,224,832
Multiple vendors have the same vendor number and address.	17	\$ 851,212
Multiple vendors have the same address.	45	\$ 553,593
Multiple vendors have the same vendor number and federal tax identification number.	4	\$ 470,346
Multiple vendors have the same federal tax identification address.	18	\$ 321,852
Multiple vendors have the same vendor number, address, and federal tax identification address.	2	\$ 2,386
Multiple vendors have the same vendor number, address, and federal tax identification number.	1	\$ 1,926
Employee Match - No	224	\$ 8,999,332
A vendor address is the same as an IVGID employee address.	4	\$ 4,785
Multiple vendors have the same address and that address is the same as an IVGID employee.	2	\$ 3,846
Employee Match - Yes	6	\$ 8,631
Grand Total	230	\$ 9,007,964

We sampled 15 specific instances with a selection from each duplication type from Figure 15 and observed that the sampled duplications occurred as a result of the following:

- 1) Employees used the address of their IVGID employment location instead of their residential address within the employee master file.
- 2) Vendors had different vendor profiles set up in the accounting system if the vendor invoices received by IVGID had different spellings or variations of the vendor's name. For example, vendor #4030 CivicPlus and vendor #327 NewRequest LLC are the same vendor, but they are set up in the accounting system separately because vendor invoices received by IVGID included the names of CivicPlus and New Request LLC.
- 3) Vendors had the same federal tax identification addresses and federal tax identification numbers if the vendors were set up in the accounting system as individual state departments of the same state. For example, four IVGID vendors, including CA State Disbursement Unit, CA State Board of Equalization, CA State Controller, and CA Franchise Tax Board, have the same federal tax identification address and federal tax identification number as all four vendors are associated with the State of California.

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- 4) Vendors used IVGID addresses as their addresses within the vendor master file. Many of these vendors include the organizations discussed in observation 22 of the report.
 - 5) Each vendor is not provided with a unique vendor number, rather multiple vendors may use the same vendor number but with a subset code. For example, we observed several IVGID employees in the Innoprise system were set up under vendor #3199 with a subset code. Employees are set up as IVGID vendors when an employee is to receive a non-taxable reimbursement from IVGID. Examples of reimbursements that IVGID considers non-taxable include, but are not limited to, travel expenses, employee clothing allowances, and medical insurance reimbursements.

Further, we observed that several vendors included within the vendor master file are inactive vendors that have not received disbursements from IVGID during the Scope Period.

Recommendation:

With respect to the observations above, we recommend the following:

- (1) Include each employee's residential and mailing address within the employee master file instead of using the employee's employment location. We recommend an employee's employment location is not used as the employee's residential address within the employee master file as tax implications may vary based on employment addresses and residential addresses.
- (2) Research if the system allows multiple names under one vendor profile. If so, IVGID should consolidate vendor names that are associated with an individual vendor into one vendor profile. For example, vendor #4300 CivicPlus and vendor #327 New Request LLC should be under one vendor number as they are associated with the same vendor. This will help ensure accuracy and completeness of payables due by IVGID to each individual vendor and assist with the assessment of aging of the payables. Further, we recommend IVGID research if the system allows multiple addresses under one vendor profile. If so, IVGID should ensure each vendor profile has the correct address of the vendor within one vendor profile.
- (3) If the system does not allow for multiple names under one vendor profile, or if vendors continue to have duplicative data, documentation should be added to the vendor master file to explain the redundancy.
- (4) Each vendor should be provided with its own unique vendor number (no subset codes should be used), vendor name, vendor address, federal tax identification number, and federal tax identification address.
- (5) Review data in the system before adding new vendors to ensure the vendor does not already exist.
- (6) Determine a reasonable amount of time (i.e. three years) where no disbursements are paid to a vendor to deem a vendor inactive, and review vendor activity on an annual basis to determine inactive vendors.

Observation #25: Projects Relating to Private Funding or Donations

Fraud Risk: **Moderate**

IVGID projects may be sponsored or pledged by private funding or donations, and these projects may incur expenses prior to receipt of the pledged or donated funds. For example, project

4884BD2201, relating to the expansion project for the IVGID recreation center, was to be funded through a grant from the Duffield Foundation. Prior to obtaining funds from the Duffield Foundation, IVGID incurred approximately \$1,212,034 of expenses in connection with the project. After expenses were incurred, the private donor withdrew its pledged support for the project. The Duffield Foundation reimbursed IVGID for approximately \$1,139,421 of the incurred project expenses, resulting in a funding deficit related to the project of \$72,613.

Recommendation:

We recommend projects utilizing pledged funds from private donors do not incur expenses prior to obtaining the pledged funding.

Observation #26: North Lake Tahoe Fire Protection District Agreement with IVGID

Fraud Risk: **Moderate**

North Lake Tahoe Fire Protection District ("NLTFPD") entered into a cooperative agreement with IVGID on June 9, 2004 ("NLTFPD Agreement"). The agreement provides terms and conditions regarding NLTFPD's wildland fuel reduction work on public property under IVGID's control.

We reviewed the NLTFPD Agreement and assessed whether IVGID followed the agreement terms and conditions during the Scope Period. Refer to Figure 16 for our observations.

Figure 16 Evaluation of IVGID's Compliance with NLTFPD Agreement

<u>Agreement Description</u>	<u>Observation</u>
NLTFPD agrees to perform wildland fuels treatment work on public property owned by IVGID under the direction of its public works director and/or his/her designee. IVGID agrees to pay NLTFPD up to \$25,000 during the NLTFPD/IVGID fiscal year 2004/2005 or the total amount of direct costs expended by NLTFPD for the implementation of the Annual Plan, not including personnel expenses for regular year-round NLTFPD personnel, whichever is less for the first year of this agreement.	IVGID acknowledged the spending amount has increased from \$25,000 at the inception of the agreement to \$200,000 each year. IVGID was unable to provide documentation to support the rationale and/or modification to the agreement for the increased payment.
Thereafter, NLTFPD agrees to furnish IVGID Public Works Director and/or his/her designee an Annual Plan by April each year that specifies the area to be worked on, the types of work to be performed, an estimate of acreage for each project, a timetable, a man-hour estimate, and a projected cost total. A summary report will be presented to the IVGID Board. The approved budget for the next succeeding year will be acted upon by the IVGID Board at that time. IVGID shall be responsible only for such costs and other matters as it has approved in writing, including written approval of the Annual Plan.	IVGID was unable to provide documentation to support summary reports were presented to the IVGID Board of Trustees for each fiscal year during our scope period. Further, IVGID was unable to provide documentation to support the approved budgets by the Board of Trustees for each fiscal year during the scope period.

NLTFPD agrees to furnish copies of all documentation, information, and permits related to the work performed.	Per review of the invoices which management was able to identify during the scope period, each invoice contains documentation and information from NLTFPD regarding the work performed during the time period, resources utilized, and hours billed.
Billing will be submitted at the end of each burn season accompanied by the proper documentation and, if accepted, shall be paid thirty (30) days from receipt. Costs for other suppression personnel and equipment shall be borne by NLTFPD.	Per review of the invoices which management was able to identify during the scope period, invoices totaled approximately \$194,040, \$156,215, and \$179,912 respectively for fiscal years 2021, 2022, and 2023.
This Agreement will become effective on the date of approval by both Districts and will remain in effect until such time that it is cancelled. Both Districts will have an opportunity to review the progress of such Agreement and, if necessary, mutually agree to renew, continue, amend, or dissolve such Agreement.	Per documentation provided by IVGID, the agreement with NLTFPD and IVGID is still in effect throughout the scope period based on the letter from the NLTFPD Fire Chief dated August 2, 2021.

Recommendation:

We recommend IVGID review the NLTFPD Agreement and determine if the agreement terms are applicable and appropriate. If necessary and appropriate for IVGID to continue its relationship with NLTFPD, we recommend ensuring all attributes of the agreement are met, including payment terms, Board of Trustee communications, and approval as set forth in the NLTFPD Agreement.

Observation #27: Petty Cash


Fraud Risk: **Moderate**

IVGID has a cash policy that discusses petty cash procedures to be followed. The cash policy provides that petty cash funds should contain a nominal balance, disbursements from petty cash should only be made for valid purposes, a summary of disbursements from petty cash should be maintained, and petty cash funds should be replenished periodically. The cash policy does not identify who has the authority to create or withdraw funds from a petty cash fund or what constitutes a valid purpose.

We were provided with documentation which showed that petty cash accounts had been counted and reconciled on June 18, 2021 and on April 21, 2023. We did not see any evidence that the petty cash accounts had been reconciled during the Scope Period aside from these two occurrences. The July 3, 2023 reconciliation included a reconciliation of four of the five petty cash accounts had reconciling differences ranging from \$10 to \$91. The lack of performing timely reconciliations is a result of the loose internal control culture within the District.

Recommendation:

We recommend IVGID evaluate the need for petty cash given that many IVGID employees have procurement cards which would allow for immediate purchases as necessary. If IVGID determines it



necessary and appropriate to retain a petty cash fund, we recommend IVGID update its cash policy to include more robust policies over petty cash, including identification of who has the authority to create and withdraw funds from a petty cash fund and what constitutes a valid expense purpose. Further, we recommend IVGID perform reconciliations of all petty cash accounts no later than 30 days following month-end and that all unreconciled items be resolved timely.

Observation #28: Physical Access to Vault

Fraud Risk: **Moderate**

The cash policy does not include policies regarding physical access to the District's vault. Per the 2022 ACFR, petty cash and change funds totaled ~\$45,905. We were provided a listing of seventy-five point-of-sale cash balances related to golf and food and beverage with a combined balance of \$30,325; each cash balance typically totaled ~\$300, ~\$500, or ~\$1,000. Of these seventy-five cash balances, twenty balances have not been reconciled after fiscal year 2022 and thus do not appear to be routinely reconciled.

Recommendation:

We recommend IVGID enhance its Cash Policy to include more specific and clear policies over vault access and the management of point-of-sale cash balances. Additionally, we recommend IVGID resolve the status of all outstanding golf and food and beverage cash balances and return any balances related to unused bank accounts to the vault. Further, we recommend IVGID institute a process of regularly reconciling these point-of-sale cash balances.

Observation #29: Project Numbers are Reused

Fraud Risk: **Moderate**

Project numbers may be reused for multiple projects. For example, the public works project 3970BD2601, relating to Burnt Cedar swimming pool improvements, includes several pool improvements for Burnt Cedar under this project number. As a result, the documentation organized for these various projects are also organized, in general, within one project folder. Documentation may include, for example, board approval and project bid documentation. The lack of organization of the documentation makes it difficult to sort and differentiate the documentation relating to improvements for a given project number.

Recommendation:

We recommend creating a unique project number for each board approved project that relates to a specific task, improvement, or purchase for IVGID. For example, for each Burnt Cedar pool improvement, we recommend using a unique identifier such as 3970BD2601-1, 3970BD2601-2, and so forth. We recommend each unique identifier have a separate folder for documents relating to board approvals, bid packets, and other project documents. Further, we recommend each unique identifier be presented to the Board of Trustees for transparency into each individual task, improvement, or purchase for IVGID.

Observation #30: Capital Expenditure Approval Process (Initial and Overruns)

Fraud Risk: **Moderate**

IVGID has CapEx policies in place to be reviewed and followed for financial reporting purposes. The CapEx Policy requires competitive bidding for goods and services, subject to dollar limitations. The CapEx Policy section 1.4.1 establishes that the General Manager has overall supervision of the procurement function, but section 1.4.2 empowers department directors to conduct the bidding process for their departments. Further, the CapEx Policy indicates, in section 1.5.2.3, that for contracts with amendments the dollar thresholds apply to the aggregate of the initial contract and the amendments. The CapEx Policy does not specify how actual project costs are to be tracked against the approved budget and the process for managing cost overruns.

Recommendation:

We recommend IVGID update its CapEx Policy to conduct procurement activity centrally as opposed to each individual department conducting procurement to promote greater consistency and compliance within the procurement process. Further, we recommend IVGID update the CapEx Policy to provide a process to be followed to ensure that actual expenditures adhere to the approved budgeted amounts. The CapEx Policy should also include an approval process for cost overruns prior to incurring the cost overruns.

Observation #31: Review Capital Projects for Potential Bid Splitting

Fraud Risk: **Low**

The CapEx Policy provides procurement thresholds as follows:

- (1) \$10,000 and under – competitive solicitation not required (paragraph 2.2.3),
- (2) Between \$10,000.01 and \$50,000 – procure via solicitation of a minimum of two price quotations (paragraph 2.2.4),
- (3) Between \$50,000.01 and \$100,000 – formal solicitation involving two or more prospective sources (paragraph 2.2.5), and
- (4) \$100,000 and over – formal solicitation and additional solicitation requirements (paragraph 2.2.6).

Additionally, paragraph 4.2 of the CapEx Policy prohibits bid splitting or separating solicitations into smaller components to avoid competitive solicitation.

The IVGID personnel responsible for overseeing the District's capital asset accounting are not aware of how procurement transactions have historically been conducted and where the records associated with previous procurements are located as they are relatively new employees. Further, as individual departments conduct their own procurement transactions, it was not feasible to obtain procurement documentation to test for bid splitting.

Recommendation:

We recommend IVGID revise its CapEx Policy to conduct procurement activity centrally as opposed to each department conducting procurement separately to promote consistency and compliance within the procurement process to ensure bids are not split in order to avoid competitive bidding

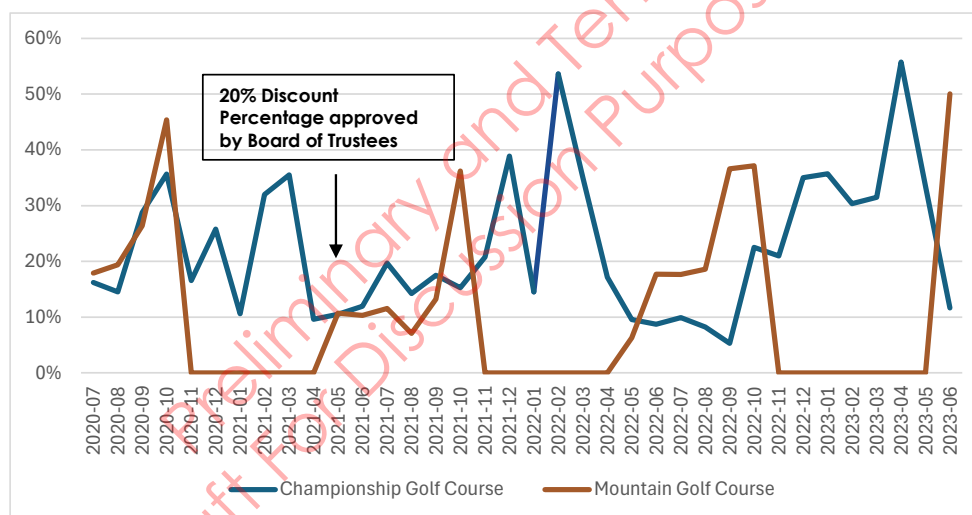
thresholds. Further, we recommend procurement documentation for all solicitations be retained in a central depository for accessibility.

Observation #32: Seasonal Discounts at Merchandise Stores Not Approved by Appropriate Level

Fraud Risk: **Low**

Various employee discounts, resident discounts, and seasonal discounts are provided at the Championship Golf Course and Mountain Golf Course merchandise stores. Employee discounts and resident discounts are approved by the Board of Trustees. Any discount more than the employee discounts or the resident discounts, including Black Friday discounts, pre-season discounts, and end-of-season discounts, are set by the merchandise store manager and are not independently reviewed or approved by an upper level of authority. No documentation records of these approved discounts during the Scope Period are available. Refer to Figure 17 for the range of discount percentages given by IVGID employees to customers at the Championship Golf Course and Mountain Golf Course over the Scope Period.

Figure 17 Championship Golf Course and Mountain Golf Course Discount Percentages by Month during the Scope Period




Recommendation:

We recommend any discount more than the employee discounts or resident discounts be approved by an appropriate level of authority at IVGID and approval documentation be maintained. Additionally, we recommend developing a monitoring process where discounts are reviewed weekly or bi-weekly to evaluate appropriateness of discounts given and discount trends. We recommend increasing this weekly or bi-weekly review to monthly and ultimately quarterly after an ample amount of time.

Observation #33: Employee Clothing Allowances

Fraud Risk: **Low**

The 'Memorandum of Understanding Between and for Incline Village General Improvement District and the Operating Engineers Local Union No. 3' provides that IVGID employees in certain public



works divisions are eligible to receive a \$630 clothing allowance per fiscal year for uniforms, rain gear, boots, and hip boots. As of June 30, 2023, there were approximately 26-34 public works employees who were eligible to receive this clothing allowance. This clothing allowance may not be considered taxable income by IVGID and may not be reported on an employee's W2 for tax purposes. The total approximate monetary exposure that may not be reported on employee W2s relating to employee clothing allowances over the Scope Period is \$49,140 to \$64,260. Per review of procurement card transactions, expenses with a description containing 'uniforms', 'rain gear', 'boots', and 'hip boots' totaled approximately \$54,028 for the Scope Period. Of this total, approximately \$4,124 were expenses related to five employees eligible for the clothing allowance. Additionally, there were two instances where an eligible employee expensed more than \$630 for uniforms in a fiscal year. Further, as stated in observation 14, IVGID is tax exempt and IVGID purchases should not be charged for sales tax; however, approximately \$347 of the \$11,586 of sales tax charges on procurement cards during the Scope Period as discussed in observation 14 relate to clothing allowance purchases. Refer to Appendix 2 for further details over the employee clothing allowance.

Recommendation:

We recommend IVGID research the Federal and State of Nevada tax regulations to assess whether or not the clothing allowance should be considered employee taxable income. Additionally, we recommend ensuring the process for employee clothing allowances is appropriate and reviewed on an annual basis to ensure the \$630 allowance is not exceeded. Further, we recommend formalizing a policy for non-union employees (i.e. employees not eligible for the \$630 clothing allowance) on the protocols for their purchasing of uniforms and other similar expenses and determine if those expenses should be considered employee taxable income.

Observation #34: Manual Financial Statement Consolidation Process

Fraud Risk: **Low**

The financial statement consolidation process is a manual process in Excel. IVGID personnel use the trial balance to prepare the financial reports. There are numerous reclassifications between trial balance accounts and the financial reports with no documented reconciliation for reclassifications to support the appropriateness or approval of the reclassifications.

Recommendation:

We recommend reducing the manual financial statement consolidation process and utilizing the Tyler Munis system to automate the reporting process to eliminate the risk of misstated information due to manual errors and/or complex formulas. Further, we recommend retaining documentation of reclassification approvals and the rationale for the reclassification to the financial statements.

Observation #35: Disbursements Reconciliation to the General Ledger

Fraud Risk: **Low**

There is not a clear process in place for reconciling disbursements paid to disbursements posted to the general ledger in the Tyler Munis system. We obtained the disbursement listing and the general ledger listing during the Scope Period, and we were unable to reconcile the listings by date, by invoice number, or by check number to ensure all disbursements paid were properly accounted for in the Tyler Munis system.


Recommendation:

We recommend performing a monthly reconciliation of disbursements paid to the disbursements posted to the general ledger to ensure the general ledger takes into consideration all disbursements paid in the appropriate period.

Observation #36: Consolidated List of Executed Contracts is not Readily Available

Fraud Risk: **Low**

No centralized database or document is maintained to track executed contracts with past and current vendors. Contracts are segregated and tracked by individual IVGID employees and there is no readily available consolidated list of IVGID executed contracts.

Recommendation:

We recommend a centralized depository where past and current executed contracts are readily available, including public works projects, service projects, and capital improvement projects. Additionally, we recommend maintaining a master list of contracts containing information such as Board of Trustees' approval date(s), approved budget amounts, project dates, dollars expensed and capitalized to date, and other significant project details. The master file should be continuously updated by IVGID staff, periodically reviewed by the General Manager, and presented to the Board of Trustees at least annually.

Observation #37: Prevailing Wages Evidence for Contracts not Retained

Fraud Risk: **Low**

The purchasing policies provide that the payment of prevailing wages, in the manner specified in the NRS 338, is required for all public works construction contracts that exceed \$100,000. NRS 338 includes that one of the requirements is for the prevailing wage to be posted on the site of the public work in a place generally visible to the workers. No evidence of prevailing wages posted at job sites is retained. As such, we were unable to verify compliance with the prevailing wages portion of the purchasing policies.

Recommendation:

We recommend retaining documentation regarding the prevailing wages posted at job sites and evidence of this communication to the workers to ensure compliance with IVGID's purchasing policies and the NRS's purchasing policies.

Observation #38: Frequency of Cash Collections

Fraud Risk: **Low**

During the on-site observation of the District's cash handling procedures, cash is picked up daily from IVGID facilities by IVGID staff and picked up weekly by a third-party service to be delivered and deposited to the bank.

Recommendation:

We recommend increasing the frequency of cash pick-ups by the third-party service from weekly to daily pick-ups.



Observation #39: Security of Cash During Cash Collections

Fraud Risk: **Low**

During the on-site observation of cash handling procedures performed by IVGID staff, cash collected from the first pick-up location of the walkthrough was maintained in an employee's pocket until the second pick-up location where the cash was then placed into a secured cash bag.

Recommendation:

We recommend the secure cash bags be held at the first cash pick-up location for cash to be properly secured throughout the cash pick-up process.

Observation #40: Lack of Internal Controls and Oversight at IVGID Golf Courses

Fraud Risk: **Low**

We identified various instances during the Scope Period where green fees were reduced to \$0 as an individual was provided a complimentary round of golf. Complimentary rounds of golf are available for specific circumstances including, but not limited to, prospective vendors or inconveniences on the golf course such as broken golf carts. Most complimentary golf rounds that reduce green fees to \$0 do not have documentation on the rationale and/or individual who approved the complimentary round of golf.

As discussed in observation 16, IVGID does not keep records of food and beverage inventory, including alcohol, in the Tyler Munis system and thus food and beverage inventory at the golf courses is not monitored. Further, as discussed in observations 10 and 11, green fee pricing and play passes are not being utilized appropriately.

The lack of proper internal controls at the golf courses and other IVGID parks and recreational facilities is a result of the loose internal control culture within the District.


Recommendation:

We recommend IVGID staff provide the rationale and disclose the approver for each complimentary round of golf in connection with completing the transaction in the POS system. Additionally, we recommend monitoring and reviewing complimentary golf rounds and transactions where green fees are reduced to \$0 to ensure appropriateness on a recurring basis. We recommend implementing this oversight at all parks and recreational facilities, including ski slopes and pickleball courts. Additionally, as noted in observation 16, we recommend each inventory location have its own general ledger account and for all inventory to be entered into the Tyler Munis system in a timely manner. We recommend performing inventory reconciliations no later than 30 days following month-end. Inventory reconciliations should include supporting documentation for all reconciling items. Further, as noted in observation 16, we recommend physical inventory observations be performed at least annually for all locations at IVGID, inclusive of food and beverage locations at all parks and recreational facilities.

Observation #41: Customer Credit Card Processing Errors

Fraud Risk: **Low**

Based upon representations provided to us during interviews performed, there are credit card transaction receipt errors that occur at the Grill at the Chateau. We understand from management



that one transaction receipt error that may occur is when a bill is split between multiple credit cards the receipt will only show one credit card was utilized, although both credit cards are equally charged half of the bill. The risk is that the credit card system is not correctly processing customer payments which may result in undercharging or overcharging customers.

Recommendation:

We recommend IVGID staff to provide separate bills for customers who are utilizing multiple forms of payment to reduce the risk of inaccurate and inappropriate charges.

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