

MEMORANDUM

TO: Audit Committee

THROUGH: Trustee Ray Tulloch, Audit Chair

FROM: Susan Griffith, Interim Director of Finance

SUBJECT: Report and Status Update on Rubin Brown Audit Issues.
(Requesting Staff Member: Interim Director of Finance Susan Griffith)

DATE: October 15, 2024

I. RECOMMENDATION

NA

II. BACKGROUND

In February 2024, the Board of Trustees approved financial due diligence audit work to be completed by Rubin Brown. The Board accepted their Forensic Due Diligence Accounting Services Review dated August 23, 2024 on August 28, 2024. This Memorandum provides staff responses and updates to the 41 observations discussed in the report. Due to the timing of the October 9, 2024 Board of Trustees regular meeting and the October 15, 2024 Audit Committee meeting, the responses are unchanged.

III. BID RESULTS

NA

IV. FINANCIAL IMPACT AND BUDGET

Status Report – no financial actions at this time.

V. ALTERNATIVES

NA

VI. COMMENTS

None

VII. BUSINESS IMPACT/BENEFIT

Improved practices, functionality, and documentation once all items are complete.

VIII. ATTACHMENTS

Copy of Report – Observations & Staff Status Updates

IX. DECISION POINTS NEEDED FROM THE AUDIT COMMITTEE

None. Information item.

The remainder of this Memorandum provides each observation in the final Rubin Brown report with the staff status following it in italics.

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.

Staff Status (Multiple Components):

CLOSED:

Observation #1 (2) – All accounts payable transactions are completed in exclusively in the Tyler accounting system..

OPEN: Completion Date - Spring 2025 (If Tyler Scope Approved at 10/09/24 BOT Meeting)

Observation #1 (3) – Staff has not yet implemented some of Tyler’s capabilities related to AP processing

Observation #1 (4) – Staff has not yet implemented some of Tyler’s capabilities related to Capital Improvement Projects.

OPEN: Completion Date – 2027

Observation #1 (1) – The ability for the POS to upload directly to the Tyler Munis Financials is being addressed as a part of the Active Network POS Assessment.

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.

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.

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.

Staff Status – CLOSED

No invoices are entered into Tyler unless approval is noted on the invoice; in addition, each AP entry is reviewed and approved by a second person before it is released into the system. Tyler's Workflow is utilized for approval of all requisitions before becoming a purchase order. Proper segregation of duties has been implemented. Tyler system has user roles and related workflows properly set up so that only authorized approvals exist.

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.

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. 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.

Staff Status – CLOSED

Finance staff only enters payables directly from an invoice or properly completed Check Request Form and follows proper internal controls, segregation of duties, and related restrictions by user role permissions are set in the Tyler finance software by the IT Department.

NOTE: Each of the disbursement amounts in Figures 5 and 6, with the exception of the Board of Regents item, are under \$5,000 which is the purchase order threshold within IVGID. A match to the invoice and purchase order is not applicable. Support material for the disbursement to Troy Akin and DNV Trust has been provided to the Finance Team to attach it to the disbursement record.

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.

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.

Staff Status

OPEN: Completion Date: Spring 2025 (If Tyler Scope Approved at 10/09/24 BOT Meeting)

Bank reconciliations were contracted out to Baker Tilly consultants for fiscal years FY23 and FY24. Baker Tilly bank reconciliation services were abruptly cancelled in late June 2024. Bank reconciliations were approximately 80% complete at that point in time through March 2024. This work was performed using Excel workbooks and contained unexplained variances.

The Tyler accounting system's Cash Management module includes bank reconciliation functions. It was not implemented during this time by neither staff nor consultants. Current Tyler system functionality lacks the tools needed to properly identify the unexplained variances until the Cash Management module is implemented.

Staff currently performs bank reconciliation work immediately following the end of the prior month according to the following schedule: Within the first week of the new month, the data file for the previous month is ordered by the banking representative. Once staff receives the file, work begins. Staff performs reconciliation procedures and identifies items that have not been booked. Any unusual items are investigated. Once the general ledger is complete for that month, a final general ledger report is generated for the workbook for use to determine the final unexplained variance. Segregation of duties are being maintained and work is reviewed by management.

To Be Completed: Hire additional staff. Implement and use Tyler Cash Management module. Write procedures and train staff. Resolve Tyler reporting issues that staff identified when completing bank reconciliation and other tasks. Continue analysis of unexplained variances. Bank Reconciliations to then only be completed within the Tyler system. Tyler reports can then be generated and provided to the Board of Trustees.

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) 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.

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.

Staff Status - OPEN: Completion Date: Spring 2025 (If Tyler Scope Approved at 10/09/24 BOT Meeting)

All three of the other bank accounts are also reconciled (payroll, HRA and FSA) in a timely fashion. Segregation of duties are being maintained. Tyler Cash Management module implementation should provide reconciliation functionality for these accounts and related reports can be generated so that manual work is eliminated.

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.

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.

Staff Status - CLOSED

Specific Issue discussed by consultant has been explained. An incomplete record of work was improperly interpreted by Rubin Brown.

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.

Staff Status - CLOSED

Cash entries are no longer recorded in lump sum.

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 was 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.

Staff Status - OPEN: Completion Date - Spring 2025 (If Tyler Scope Approved at 10/09/24 BOT Meeting)

Staff has reconciled capital assets to the FY23 ACFR. Once the additional Tyler work is completed to populate and use the capital assets, work will not be done in Excel.

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 3141LI1201 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.

Staff Status - OPEN: Capitalization Policy Completion Date – TBD

CIP Project #3141LI1201 – Pavement Maintenance of Parking Lots – Champ Course & Chateau. This project was completed in FY 2021/22. This was prior to when the previous Finance Director began to identify Capital Expense Projects separately from the Capital Improvement Projects. This practice was done in FY 2022/23 through FY 2023/24. Under the new Finance team, all expense projects have all been moved within the operation budgets of each division for FY 2024/25. A new capitalization policy is pending coordination with new staff and the Board.

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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.

Staff Status - CLOSED

Golf and Revenue Department personnel have provided additional training to cashiers. Staff identified that this issue was related to the use of GolfNOW for booking tee times and Vermont for getting those booked tee times onto the tee sheet

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.

Staff Status - CLOSED

Additional training has been provided. No support has been provided to substantiate other statements.

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.

Staff Status – CLOSED

In addition to the IVGID Employee Handbook, employees sign a document which provides policy information regarding procurement card use when receiving their card.

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.

Staff Status – OPEN - Completion Date - December 2024

Staff is examining procurement card policies and practices from other Nevada public agencies. The Finance department will be proposing revisions to the current IVGID procurement card policies and procedures.

Currently, all procurement card expenditures are now tracked on an excel spreadsheet provided by Wells Fargo. One individual is tasked with ensuring proper receipts and approvals are obtained.

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.

Staff Status - OPEN: Completion Date – TBD

Senior staff will discuss a proactive solution to implement and provide staff training. This issue should be addressed at the time the transaction as a part of authorized approvers within staff's reporting structure.

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.).

Staff Status – OPEN - Completion Date - December 2024

Staff is examining procurement card policies and practices from other Nevada public agencies. The Finance department will be proposing revisions to the current IVGID procurement card policies and procedures.

Currently, all procurement card expenditures are tracked on an excel spreadsheet provided by Wells Fargo. One individual is tasked with ensuring proper receipts and approvals are obtained. Additionally, the monthly procurement card activity is included in the monthly Treasurer's Report.

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.

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Staff Status (Multiple Components):

CLOSED:

Finance staff conducted and/or observed physical inventory counts for Diamond Peak Hyatt, both golf facilities, Tennis, and Food and Beverage. Spot-checked inventory counts were also performed for Public Works. F&B inventory is now conducted regularly. Inventory reconciliation year-end entries were made for FY24.

OPEN: Completion Date - Spring 2025 (If Tyler Scope Approved at 10/09/24 BOT Meeting)

The inventory portion of Tyler has not yet been implemented.

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.

Staff Status – CLOSED

User account audits are being performed and are scheduled to be regularly performed.

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.

Staff Status – CLOSED

Staff prepares a 5-year CIP plan, the Board awards year one of the CIP plan at budget time. In accordance with NRS 354.620, no carryforward activity is allowed.

NOTE: It appears that what occurred was that an award was made on 3/31/2021 (\$264,840.48) and that the CIP Popular Report was not updated with that purchase. The remaining funds were awarded at a meeting on 3/9/2022. (\$170,488.50).

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.

Staff Status - CLOSED

NOTE: The Board of Trustees approved this project at the May 22, 2019, Board meeting (page 213 of the Board packet) with a budget of \$50,000. Based on the CIP Data Sheet, the \$50,000 was for Internal Planning & Design. At the Board of Trustees meeting on May 27, 2020, the Board approved the budget for construction of \$990,000 (page 84 of the Board packet).

The waterline design was completed in-house and was approved by the Board on 5/22/2019. Without having the backup information that Rubin Brown used to determine that \$53,776 (of which \$939 was external) was incurred prior to May 27, 2020; it is difficult to know if there is an acceptable reason for exceeding the approved \$50,000 budget and what the origins of the external expense of \$939.

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. 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.

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Staff Status – CLOSED

Staff prepares a 5-year CIP plan, the Board only awards year one of the CIP plan at budget time, in accordance with NRS 354.620, no carryforward activity is allowed.

Any funds that are not spent are automatically returned to the fund balance and can be re-appropriated as part of the subsequent budget 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.

Staff Status – CLOSED

Donations are reviewed with the Board prior to acceptance.

NOTE: Not all benches are memorial benches. For example, IVGID has installed benches at its Skate Park which do not have a plaque and are simply installed for the comfort and relaxation purposes of the community and public members using the amenity. Park benches are included in the budgets of the Parks Department. Policy and Procedure Resolution No. 141, Resolution 1895 that addresses Rotary Benches (aka Memorial Benches). The Board of Trustees approved the Skate Park and Ball Fields programs.

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.

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. 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.

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.

Staff Status – CLOSED

Donations are reviewed with the Board prior to acceptance. No additional policy information for the five identified organizations has been provided. Staff complies with the NRS conflict of interest statutes and public filings.

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.

Staff Status - CLOSED

The Tyler Munis system is used to generate check numbers.

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. 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 NextRequest 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.
- 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 Next 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.

Staff Status – CLOSED

The Tyler system was implemented with only the most recent (since FY 22-23) vendor activity. Issues stated in observation were within the old Innoprise system. As part of a new vendor master setup, several checkpoints are made, such as requiring a W9 and tax ID number. The system provides for internal controls so that segregation of duties are involved and the approval of vendor master additions and updates is highly-controlled.

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.

Staff Status – CLOSED

A Memorandum of Understanding is issued before a contract defines these types of things and staff doesn't proceed unless the MOU is in place. Private donors often have stipulations included in the Memorandum of Understanding that contradict this recommendation that projects utilizing pledged funds from private donors not incur expenses prior to obtaining the pledged funding.

NOTE: The Duffield Foundation partnered with IVGID for the CIP #4884BD2201 Rec Center Expansion project. The expansion of the Rec Center was going to allow IVGID to plan improvements within the existing Rec Center and as such, IVGID was to fund this portion of the project. The Board of Trustees approved \$110,000 to award a design contract with H+K Architects for the Tenant Improvements of the existing Rec Center (Board of Trustees meeting June 29, 2022, Item H.1). The design for the Tenant Improvements portion of the project included renovation of 7,700 square feet of the existing office space, child-care space, pro-shop area, massage room, upgrading the lighting, and addition of a 4-sided elevated walking track to the existing gymnasium. The funding deficit of \$72,613 cited in the Rubin Brown report reflects the IVGID funds that were approved by the Board of Trustees for the Tenant Improvements portion of the design.

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.

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.

Staff Status – CLOSED

To date, the agreement with the North Lake Tahoe Fire Protection District (NLTFPD) has worked very well. The increases in the funding for defensible space work on IVGID lands has been approved with utility rate increases. While the agreement itself does merit refreshing, it hasn't been a top priority for Staff because it has been and continues to work well between the two collaborative partners. The defensible space billing rate was just approved with the utility rates and remains at a total of \$200,000 per fiscal year.

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.

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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.

Staff Status - CLOSED

Staff evaluated the need for petty cash. It is still needed, and proper approvals are obtained for expenditures. It is reconciled as needed. As it is petty, there isn't a significant impact to financials.

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.

Staff Status - OPEN: Completion Date – January 2025

Staff is reviewing the observations, recommendations and venue activities.

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.

Staff Status - OPEN: Completion Date - Spring 2025 (If Tyler Scope Approved at 10/09/24 BOT Meeting)

IVGID no longer uses the Innoprise system for numbering. The current coding in Tyler is "department/division-project type code-Fiscal Year/01, 02, 03....etc.) Staff is studying the Tyler CIP module functionality and maintaining unique project codes. Tyler assistance to implement and use this module is part of the requested work.

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.

Staff Status – CLOSED

See responses to earlier observations relevant to Capital policy.

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 is 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.

Staff Status - CLOSED

The Tyler Munis system is the District's central depository for all contracts/purchase orders issued. A report can be run from this system and then those enabling documents can be tied back to a Board of Trustees agenda and/or contract approval spreadsheet maintained by the designated Trustee for emergency contracts/purchase orders. The Director of Administrative Services maintains a list of recurring contracts and has included the list in the Board of Trustees' packet materials.

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.

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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.

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.

Staff Status - CLOSED

IVGID venue management staff has the appropriate level of authority to perform these duties.

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.

Staff Status – CLOSED

Staff have reviewed that this allowance/reimbursement is compliant with current IRS regulations.

As noted in the IRS Publication 5137 (Rev 10-2022): “Clothing or uniforms are excluded from wages of an employee” if they are:

- *Specifically required as a condition of employer; and*
- *Are not worn or adaptable to general use as ordinary clothing.*

<https://www.irs.gov/pub/irs-pdf/p5137.pdf>

This is a negotiated item with the Operating Engineers Local 3 contracts and is reviewed each contract period by the District’s General Counsel.

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.

Staff Status – CLOSED

Staff uses an Excel spreadsheet that is provided through a template that queries the Tyler database and is used to generate the monthly financial reports.

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.

Staff Status - OPEN - Completion Date - Spring 2025 (If Tyler Scope Approved at 10/09/24 BOT Meeting)

Staff is working on performing a monthly disbursement reconciliation and using Tyler reports to resolve any discrepancies. More time is needed to fully understand the reason behind the discrepancies. Work to be performed on the scope will include issues relevant to reconciling reports to ensure posting.

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.

Staff Status - OPEN: Completion Date – TBD

Staff is evaluating the practicality of a centralized approach, development of new policies and procedures, and recruitment of personnel to perform centralized functions. Actual implementation dependent upon the qualifications of candidates.

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.

Staff Status - CLOSED

The construction contracts that require prevailing wage and/or Davis Bacon wages be used are reviewed by District Counsel or specialized outside Counsel. The burden of proof for providing evidence of wage postings and/or evidence of communication to workers lies with the Contractor per the contract. IVGID also requires the Contractor to provide weekly payroll reports be submitted by utilizing the LCP Tracker software. IVGID is responsible for reviewing and confirming that the Contractor is complying with reporting the wages accurately and on time. LCP Tracker interfaces with the Nevada Department of Labor and IVGID has not received any notice from the Nevada Department of Labor that the District is not in compliance with their regulations.

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.

Staff Status - CLOSED

Staff evaluated the benefits vs the cost of more frequent cash pick-ups and has determined once a week is sufficient at this time. Staff is evaluating a cashless policy.

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.

Staff Status - CLOSED

Staff has not identified that additional control of cash collections is needed. Staff is evaluating a cashless policy.

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.

Staff Status – CLOSED

See status in earlier observations relevant to venue management authorities and inventories.

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.

Staff Status – CLOSED

The issue was resolved through a POS System patch performed by the vendor and IT Department.