

Item D.4.

To: IVGID Board of Trustees, Acting GM Mike Bandelin, Acting DoF Bobby Magee, Vito Brandle (At-Large Audit Committee Member) & Cliff Dobler (Attachment only)

From: Chris Nolet – IVGID Audit Committee Chair & CPA (Retired)

Subject: Project to Review Outstanding Accounting and Financial Reporting Matters. Follow-Up from Audit Committee Meeting of February 7, 2023. (Refer to Memo from Paul Navazio dated March 30, 2023, included in the Project Binder).

Date: January 23, 2024

Background

The Audit Committee (“AC”) that was in place at the time and reviewed the audited CAFR for the year ended June 30, 2021, did **NOT** approve the CAFR for filing with the State of Nevada, as they could not satisfy themselves that the financial statements and related footnotes therein were presented fairly, in all material respects. The IVGID Board of Trustees at the time overrode the AC and approved the CAFR, which was subsequently filed with the State of Nevada. It should also be noted that the 2020 and 2021 CAFR, and the 2022 ACFR, were all restated for material prior year(s) errors.

As noted in Paul Navazio’s (“Navazio”) memo (referred to above), and the almost 30 supporting memos, there were several unresolved matters that were not adequately addressed by District Staff in the 2020 and 2021 CAFR, nor in the 2022 ACFR. Further, other concerns were raised by community members that possibly impacted the 2020 and 2021 CAFR, as well as the 2022 ACFR. The AC noted in its final report on Fiscal 2021 that four material weaknesses in internal controls over financial reporting were identified for that year, but no major remediation steps were known to have been taken by Staff during Fiscal 2022 or Fiscal 2023, nor were any apparent material scope modifications made during the course of the Fiscal 2022 audit to compensate for the MWs. The District’s independent auditor also noted three Significant Deficiencies in connection with the Fiscal 2022 audit, but it is not clear how those observations are being dealt with during the 2023 ACFR audit.

Considering the problems noted above, I proposed to the Board and Trustees and the Director of Finance (“DoF”) in March of 2023 that a comprehensive “look back” project be undertaken to investigate and resolve (in whatever ways appropriate) **ALL** of the open matters before the Fiscal 2023 audit of the ACFR was completed. The project was approved, and I assembled a team of Navazio, Cliff Dobler (the source of most of the assertions of incomplete/incorrect accounting or reporting), Mick Homan (At-Large AC Member) and me.

We met several times as a working group from mid-March through early June. The project was “paused” as the extended BoT golf analysis and Fiscal ‘23/’24 budgeting process consumed the DoF’s time for the whole of June. While we had made very good progress in closing out a majority of the matters (19 of 28), we all agreed that Staff

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would do more work to better understand the possible impact of the remaining open items on various fiscal years financial statements. Upon Paul Navazio's sudden resignation, he committed to finish this work, as evidenced in an email from him dated June 17 (copy attached). However, to the best of my knowledge and that of District Staff, he did not do so.

This Project has sat largely untouched since June 2023. While it has been discussed at several AC meetings, and with District Staff, no work has been done for many reasons, the most likely of which is the massive Staff/Contractor effort being required to remediate the incomplete bank reconciliations, other supporting ledgers, and the unaudited interim financial statements for the twelve months of Fiscal 2023, none of which according to Staff were closed properly, notwithstanding having the majority of those months (11) posted on the IVGID website.

Recommendation

I have been told that the District does not currently have the resources to look for the remaining necessary records supporting completion this Project, which Navazio represented he had left in good order upon his departure. That said, I believe that the most complete set of Project records was maintained by me, rather than by Dobler or Homan. I have transferred to the Acting DoF **ALL** my records related to this project. The hard copy files are hand marked with various notes taken during the meetings between March and June 2023. I believe that the District has clean, soft copies of all these files, some of which are likely more updated than the versions in the Project Binder.

I believe the matters raised in this Project, and several related questions posed to the District by Dobler later in 2023, should be studied and resolved. Without this work being completed, and 1) recognizing that the AC did not approve the 2021 CAFR, 2) that it is not clear how the 2022 or 2023 Independent financial statement audits were tailored to compensate for the 4 MWs and 3 SDs, and 3) any remaining open matters identified by Moss Adams for these periods, I personally can't speak to the fair presentation (or not) of the audited Fiscal 2020 or 2021 CAFR, or the audited Fiscal 2022 ACFR.

Below I have listed the matters (numbered in the left-hand column) in the "Summary of Previously Identified Matters" (included in the blue Project Binder with a supporting memo for each matter, all of which I provided to IVGID during the last week of January '24), that were open as of Navazio's departure date:

7, 8, 9, 11, 15, 19, 24, 25 and 28.

A "C" designation in the Summary of Previously Identified Matters indicates that the Project team was reasonably confident that no further work was required to understand the matter. That said, certain of the remaining "C" matters (that is closed) may yet require some adjustment to current or prior year financial statement, as noted therein. TBD by Staff. The "O" matters (that is Open) were discussed by the Project team, but it

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was determined that Staff needed to undertake more work to fully understand the concern and propose a resolution of the matter.

I also strongly suggest that the District consider certain other items noted in the following Supplemental Materials:

“Summary of Costs Capitalized Which Should Have Been Expensed” hand dated 3/28/23. (See Folder 1). There may be (TBD) some duplicates with matters noted therein and the Summary of Previously Identified Matters described above. Source – Dobler

A folder I received late in 2023, and a related memo from Josh Nelson, with respect to concerns over certain District grant activity. (See Folder 2). To my knowledge no work has been undertaken concerning this information. Source – Dobler

When the District decides to address the matters discussed in this memo, I will commit to a meeting not to exceed 4 hours (no later than May 31) in order to provide as much insight and guidance to help resolve these matters as is possible.

Lastly, while not relating to any historical financial statements, a matter raised at several Audit Committee and BoT meetings early in Fiscal '23 relates to the Fiscal '23/'24 Budget. On Form 4404LGF, page 10, as submitted to the State of Nevada during the first week of June '23, revenues for the Proprietary Fund are overstated by approximately **55%, or \$22,760,852**. This error has been corroborated by Ray Tulloch, Mick Homan, Paul Navazio, Bobby Magee and me. This same type of error was also reflected in an earlier version of the Budget approved by the BoT on May 25, 2023. However, in that Budget the error was approximately \$50,889,877, as at that time the entire multi-year proceeds from the State loan were included. The largest portion of the error reflects reporting debt proceeds from the State of Nevada related to the Effluent Pipeline as “Other Non-Operating Revenues.” Debt proceeds, which must be repaid, generally are not reported as Revenues in the historical financial statements, or in the budget, which is prepared on the same basis as the annual financial statements (per the footnotes to the ACFR). The remaining balance of the error relates to monies from an ACE grant that will not be recognized as Revenue in Fiscal '23/'24, but rather in the latter years of the project. These two matters should be validated with our independent auditor as they will affect the Fiscal '24 ACFR.

Attachment – 1

Supplemental Materials – 3 (Bobby Magee only)

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AC Open Issues Follow-up

Paul C. Navazio

Sat 6/17/2023 10:57 AM

To: Chris Nolet <nolet_audit@ivgid.org>;

Cc: Mick Homan <homan_audit@ivgid.org>; Indra Winquest <ISW@ivgid.org>;

Chris - I have not forgotten about the write-up to help bring the "open matters" project to closure (at least the first batch).

I still have a few items to complete, but I am also now needing to prioritize two agenda reports requested by the Board for the meeting of 6/28.

I have reached out to both DavisFarr (re reporting format issue) and Josh Nelson (re parcels acquired from Washoe County) and am awaiting some information to include in my write-up.

I will keep you posted...

Thanks,

Paul Navazio

Director of Finance

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