

NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at 3:00 PM on October 15, 2024 in the Boardroom at 893 Southwood Boulevard, Incline Village, Nevada.

Public comment is allowed and the public is welcome to make their public comment via telephone (the telephone number is (877) 853-5247 and the webinar ID will be posted to our website on the day of the meeting). The meeting will be available for viewing at <https://livestream.com/accounts/3411104>.

- A. **ROLL CALL OF THE AUDIT COMMITTEE MEMBERS** *Chair Raymond Tulloch (Trustee), Vito Brandle (At-Large Member), and Sara Schmitz (Trustee). *Note that there are two vacant At-Large Member positions presently.*
- B. **PUBLIC COMMENTS** - *Unless otherwise determined, the time limit shall be three minutes for each person wishing to make a public comment. Unless otherwise permitted by the Chair, no person shall be allowed to speak more than once on any single agenda item. Not to include comments on General Business items with scheduled public comment. The Audit Committee may address matters brought up during public comment at the conclusion of the comment period but may not deliberate on any non-agendized item.*
- C. **APPROVAL OF AGENDA** *(for possible action)*
The Audit Committee may make a motion for a flexible agenda which is defined as taking items on the agenda out of order; combining agenda items with other agenda items; removing items from the agenda; moving agenda items to an agenda of another meeting, or voting on items in a block.
-OR-
The Audit Committee may make a motion to accept and follow the agenda as submitted/posted.
- D. **GENERAL BUSINESS ITEMS** *(for possible action)*
1. **SUBJECT:** Report and Status update on Annual Audit and Davis Farr Engagement Letter. (Requesting Staff Member: Interim Director of Finance Susan Griffith) – **pages 3 - 11**
 2. **SUBJECT:** Report and Status Update on Rubin Brown Audit Issues. (Requesting Staff Member: Interim Director of Finance Susan Griffith) – **pages 12 - 46**
 3. **SUBJECT:** Review, and Discuss Revisions to Board Policy 8.1.0 - Capitalization of Fixed Assets. (Requesting Staff Member: Interim Director of Finance, and Committee Member Trustee Tulloch) – **pages 47 - 71**
 4. **SUBJECT:** Review, and Discuss the 2023 Accounting and Reporting Look Back Project. (Requesting Committee Members: Chair Tulloch, and Trustee Schmitz) – **pages 72 - 76**
- E. **LONG RANGE CALENDAR REVIEW**
- F. **MEETING MINUTES** *(for possible action)*
1. **SUBJECT:** Approval of the Audit Committee Meeting Minutes for June 17, 2024. (Requesting Staff Member: District Clerk Heidi White) – **pages 77 - 81**

Incline Village General Improvement District

Incline Village General Improvement District is a fiscally responsible community partner which provides superior utility services and community oriented recreation programs and facilities with passion for the quality of life and our environment while investing in the Tahoe basin.

893 Southwood Boulevard, Incline Village, Nevada 89451 • (775) 832-1100 • EMAIL: info@ivgid.org

www.yourtahoeplace.com

NOTICE OF MEETING

Agenda for the Board Meeting of October 15, 2024 - Page 2

2. **SUBJECT:** Approval of the Audit Committee Meeting Minutes for August 20, 2024. (Requesting Staff Member: District Clerk Heidi White) – **pages 82 - 97**

G. **PUBLIC COMMENTS** - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three minutes in duration.

H. **ADJOURNMENT** (for possible action)

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before 9:00 AM on Thursday, October 10, 2024, a copy of this agenda (Audit Committee Session of October 15, 2024) was delivered to the post office addressed to the people who have requested to receive copies of IVGID's agendas; copies were e-mailed to those people who have requested; and a copy was posted, physically or electronically, at the following locations in accordance with Assembly Bill 213:

1. IVGID Anne Vorderbruggen Building (893 Southwood Boulevard, Incline Village, Nevada; Administrative Offices)
2. IVGID's website (www.yourtahoeplace.com/ivgid/board-of-trustees/meetings-and-agendas)
3. State of Nevada public noticing website (<https://notice.nv.gov/>)
4. IVGID's Recreation Center (980 Incline Way, Incline Village, Nevada)

Persons may request copies of all agenda materials by contacting the District Clerk or by visiting the Administrative Offices at the address listed above.

/s/ Heidi H. White

Heidi H. White

District Clerk (e-mail: hhw@ivgid.org/phone # 775-832-1268)

Audit Committee: Vito Brandle (At-Large Member), Chair Raymond Tulloch (Trustee), and Sara Schmitz (Trustee), 2 Vacant (At-Large Members)

Notes: Items on the agenda may be taken out of order; combined with other items; removed from the agenda; moved to the agenda of another meeting; moved to or from the Consent Calendar section; or may be voted on in a block. Items with a specific time designation will not be heard prior to the stated time, but may be heard later. Those items followed by an asterisk (*) are items on the agenda upon which the Board of Trustees will take no action. Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to call IVGID at 832-1100 at least 24 hours prior to the meeting. **IVGID'S agenda packets are available at IVGID's website, www.yourtahoeplace.com; go to "Board Meetings and Agendas".**

MEMORANDUM**TO:** Audit Committee**THROUGH:** Trustee Ray Tulloch, Audit Chair**FROM:** Susan Griffith, Interim Director of Finance**SUBJECT:** Report and Status update on Annual Audit and Davis Farr Engagement Letter. (Requesting Staff Member: Interim Director of Finance Susan Griffith)**DATE:** October 15, 2024**I. RECOMMENDATION**

Request direction from the Committee to comply with NRS 254.264:

“ NRS 354.624 Annual audit: Requirements; designation of auditor; scope and disposition; dissemination; prohibited provision in contract with auditor.

1. Each local government shall provide for an annual audit of all of its financial statements. A local government may provide for more frequent audits as it deems necessary. Except as otherwise provided in subsection 2, each annual audit must be concluded and the report of the audit submitted to the governing body as provided in subsection 6 not later than 5 months after the close of the fiscal year for which the audit is conducted. An extension of this time may be granted by the Department of Taxation to any local government that submits an application for an extension to the Department. If the local government fails to provide for an audit in accordance with the provisions of this section, the Department of Taxation shall cause the audit to be made at the expense of the local government. All audits must be conducted by a certified public accountant or by a partnership or professional corporation that is registered pursuant to [chapter 628](#) of NRS. “

Please Note: By 11/30/24 the report must be submitted to the governing body. By 12/30/24 it must be transmitted to the Department of Taxation.

II. BACKGROUND

A copy of the fully-executed FY24 audit engagement letter is attached. The annual audit is underway. Davis Farr audit staff completed their interim audit work in mid-July. Audit staff also observed some of the physical inventory counts conducted at fiscal year-end.

District staff is currently completing fiscal year end closeout procedures and items requested by the auditors to prepare for their final audit work. Davis Farr staff will be conducting audit work remotely the week of October 21, 2024 and be on-site the week of October 28, 2024. District staff does not expect any delays in completing the FY24 audit at this time.

III. FINANCIAL IMPACT AND BUDGET

The FY25 budget includes FY24 audit expenses. The engagement letter is an estimate to do the work. Davis Farr will bill on actual work completed.

IV. ALTERNATIVES

None. An audit is required by law.

V. COMMENTS

No additional comments.

VI. BUSINESS IMPACT/BENEFIT

The results of Davis Farr's work will indicate the impact.

VII. ATTACHMENTS

Copy of executed Davis Farr Engagement Letter attached.

VIII. DECISION POINTS NEEDED FROM THE AUDIT COMMITTEE

Calendar dates for the Audit Committee and Board of Trustees to have the FY24 audit on the agenda and receive report.

June 24, 2024

**Incline Village General Improvement District
Attn: Audit Committee
893 Southwood Boulevard
Incline Village, NV 89451**

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide the Incline Village General Improvement District (the "Entity").

The Entity has requested that we audit the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Entity, as of June 30, 2024, and for the year then ended and the related notes, which collectively comprise the Entity's basic financial statements.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and, if applicable, in accordance with Government Auditing Standards, and/or any state or regulatory audit requirements will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Accounting principles generally accepted in the United States of America, (U.S. GAAP,) as promulgated by the Governmental Accounting Standards Board (GASB) require that certain required supplementary information ("RSI") such as management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America, (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's Discussion and Analysis
2. Schedule of Employer Required Contributions to Defined Contribution Multi-Employer Plans
3. Budgetary Comparison Schedules

Supplementary information other than RSI will accompany the Entity's basic financial statements. We will subject the following supplementary information to the auditing

procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

1. Budgetary Comparison Schedules (Governmental and Enterprise Funds)

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

1. Introductory Information
2. Statistical Information

Auditor Responsibilities

We will conduct our audit in accordance with GAAS and in accordance with Government Auditing Standards. As part of an audit in accordance with GAAS and in accordance with Government Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and in accordance with Government Auditing Standards.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the Entity's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters, including the Entity's Policies, Practices and procedures related to financial reporting;
 - ii. Additional information that we may request from management for the purpose of the audit;
 - iii. Unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence.
 - iv. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and
 - v. A final version of the Annual Comprehensive Financial Report (including all the documents that, together, comprise the report) in a timely manner prior to the date of the auditor's report.
- d. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by us;
- e. For identifying and ensuring that the Entity complies with the laws and regulations applicable to its activities including the Entity's policies, practices and procedures related to financial reporting;
- f. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- g. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- h. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;

- i. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
- j. For the accuracy and completeness of all information provided.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit.

Nonattest Services

We agree to perform the following nonattest services:

- Propose adjusting or correcting journal entries detected during the audit, if applicable, to be reviewed and approved by the Entity's management.
- Word process the financial statements using information provided by management.

We will not assume management responsibilities on behalf of the Entity. However, we will provide advice and recommendations to assist management of the Entity in performing its responsibilities.

The Entity's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards
- The nonattest services are limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

Reporting

We will issue a written report upon completion of our audit of the Entity's basic financial statements. Our report will be addressed to the Board of Trustees of the Entity. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for

us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of Government Auditing Standards, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

Engagement Fees

Our proposed fee for the services previously outlined is as follows:

Per proposal dated December 12, 2020	\$51,700
Change in scope of service for preparation of the financial statements	\$125/hr (aprox 60 hours)*
Change in the scope of service to audit the cutoff of revenue and expense accounts as of June 30, 2023	\$125/hr (aprox 30 hours)*
Additional testing required in response to issues identified in Due Diligence review	\$125/hr (aprox 70 hours)*

Our fees are dependent on the availability, quality, and completeness of the Entity's records and, where applicable, upon the Entity's personnel providing the level of assistance identified in the "prepared by client" request list distributed at the end of our planning work (e.g., Entity employees preparing confirmations and schedules we request, locating documents selected by us for testing, etc.).

Should our assumptions with respect to these matters be incorrect, or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

* If we believe we will exceed these estimates by more than 20%, we will advise the audit committee prior to performing additional work

Other Engagement Matters

During the course of the engagement, we may communicate with the Audit Committee or Entity personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Enclosed, as required by *Government Auditing Standards*, is a copy of the report on the most recent peer review of our firm.

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

Jennifer Farr is the engagement partner responsible for supervising the engagement and signing the report.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management or the Audit Committee, either orally or in writing.

The Audit Committee and management agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the Audit Committee and the Board of Trustees the following significant findings from the audit:


- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Davis Farr LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulatory agencies pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Davis Farr LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to regulatory agencies. The regulatory agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

We appreciate the opportunity to provide these services and believe this letter accurately summarizes the significant terms of our engagement.

Very truly yours,




Jennifer Farr, CPA
Davis Farr LLP

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

Incline Village General Improvement District

By 
**Susan Griffith, Interim Director
of Finance**

Date 10/01/2024

By 
Raymond Tulloch, Chair of Audit Committee

Date 10/1/24

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 designate 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.

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.

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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.

MEMORANDUM**TO:** Audit Committee**THROUGH:** Trustee Ray Tulloch, Chair**FROM:** Susan Griffith, Interim Director of Finance**SUBJECT:** Review, and Discuss Revisions to Board Policy 8.1.0 - Capitalization of Fixed Assets. (Requesting Staff Member: Interim Director of Finance, and Committee Member Trustee Tulloch)**DATE:** October 15, 2024**I. RECOMMENDATION**

None

II. BACKGROUND

The attached IVGID Capitalization Policy draft was included in the board packet of the Board of Trustees at the July 31, 2024 meeting. This is the most recent version located by staff.

III. BID RESULTS

NA

IV. FINANCIAL IMPACT AND BUDGET

If higher capitalization thresholds are established, then operating expenses will trend upward from this policy change. The opposite will also be the case.

V. ALTERNATIVES

Leave current policy unchanged.

VI. COMMENTS

None

VII. BUSINESS IMPACT/BENEFIT

Impacts to higher or lower than currently budgeted outcomes include: change in net position. IVGID financials are examined by users of the statements to evaluate and make business, financing, and financial health assessments of IVGID.

VIII. ATTACHMENTS

1. Draft 2024-0731_BOT_ItemG2_Review_Policy_8.1.0_Capitalization_of_Fixed_Asset

IX. DECISION POINTS NEEDED FROM THE AUDIT COMMITTEE

Verbal report and direction will be provided by Chair Tulloch.



**Accounting, Auditing and Financial Reporting
Capitalization of Fixed Assets**

Policy 8.1.0

(Replaces Policy 8.1.0, 9.1.0 and Practice 2.9.0)

Policy. Capital assets include land, improvements to land, water rights, easements, buildings, building improvements, vehicles, machinery, equipment, right to use, infrastructure, construction in process (CIP), and all other tangible or intangible assets that are used in District operations that have initial useful lives of three years or more and meet defined capitalization thresholds.

1.0 Classification of Capital Assets. The District classifies capital assets in the following groups for financial reporting:

- Land
- Buildings and structures
- Venue Improvements
- Service Infrastructure
- Equipment and Vehicles
- Right to Use
- Construction in progress

2.0 Capitalization Thresholds. The District's capitalization threshold shall be as follows:

<u>ASSET CLASS</u>	<u>CAPITALIZATION THRESHOLD</u>
Land.....	All
Right to Use.....	All
Building and Structures.....	\$25,000
Venue Improvements.....	\$10,000
Service Infrastructure.....	\$ 25,000
Equipment and Vehicles.....	\$ 10,000

2.1 Capitalization thresholds are typically to be applied to individual items. Thresholds may be applied to a network or group of items when:

- 1) Similar types of assets are grouped together as a class (example: golf carts when they are components of a fleet; banquet facility furnishing)
- 2) The items represent components of a system or network



**Accounting, Auditing and Financial Reporting
Capitalization of Fixed Assets**

Policy 8.1.0

(Replaces Policy 8.1.0, 9.1.0 and Practice 2.9.0)

(components of a computer/telephone network; snow-making system)

In cases where any asset is established to be a group of items, rather than being capitalized individually, the District will document justification to support the grouping of the assets.

3.0 Cost Basis. Capital assets purchased by the District are recorded at cost, and shall include purchase price, constructions cost, value of donated goods and/or services, and ancillary charges.

3.1 Ancillary charges mean incidental costs necessary to place a capital asset into its intended location, condition, or use. Examples include title fees, attorney or architect fees, freight charges, taxes, and site preparation costs. Ancillary charges are capitalized in addition to the purchase price and/or construction cost of capital assets.

3.2 Capital assets donated to the District are recorded at fair value on the date accepted.

4.0 Useful Life of Capital Assets. Assets should only be capitalized if they have an estimated useful life of three years or more.

4.1 Capital assets are depreciated using the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Years</u>
Building and Structures.....	10-40
Venue Improvements.....	10-25
Service Infrastructure.....	5-40
Equipment and Vehicles.....	3-20

Note: The Accounting Division will maintain Schedule of Useful Life for specific assets.



Accounting, Auditing and Financial Reporting Capitalization of Fixed Assets

Policy 8.1.0

(Replaces Policy 8.1.0, 9.1.0 and Practice 2.9.0)

5.0 Criteria for Capitalization of Fixed Assets

- 5.1. Capital projects will be capitalized if they meet one of the following criteria:
 - 1) The project is creating a new asset for the District
 - 2) The project extends the useful life of an asset beyond what was originally established as the estimated useful life for that asset, and/or
 - 3) Significantly increases the service capacity of the asset
- 5.2 Right to Use assets represent leased equipment and will be capitalized using the current value of all future lease payments per GASB 87. If the lease does not have a stated interest rate to determine current value with, an imputed rate will be determined by other similar leases.
- 5.3 Expenditures that simply maintain a given level of service or repair an item to its intended function should be expensed.
- 5.4 Three major categories of costs subsequent to original construction or acquisition are incurred relative to capital assets:
 - 1) Capital Improvements - an improvement is the substitution of a better component for which possesses superior performance capabilities, whereas a replacement is the substitution of a similar component.
 - 2) Capital Replacement - a replacement, which is a substitution of a component of the asset with one of similar quality is to be expensed. On rare occasions, a replacement can be considered improvements and be capitalized if it meets criteria for capitalization (5.1).
 - 3) Capital Maintenance - activities budgeted as capital projects will be expensed as repair and maintenance expenses if they meet one of the following criteria:



Accounting, Auditing and Financial Reporting Capitalization of Fixed Assets

Policy 8.1.0

(Replaces Policy 8.1.0, 9.1.0 and Practice 2.9.0)

- a. The activity is performed on a regular and recurring basis to keep the District's assets in their normal operating condition over the course of the originally established useful life.
- b. The project represents a repair activity that restores an asset to its original function.

6.0 Capital Project Phases. Major capital projects, as defined in Board Policy 12.1.0, will be managed through defined project phases. These may include:

- Feasibility
- Planning
- Design
- Construction

- 6.1. Costs incurred in pre-planning phases, including Master Plans and Project Feasibility Studies, which explore potential capital projects are to be expensed. Once a master-planning or feasibility study results in a defined project, with a specific scope and cost estimate, and the Board determines that a funding plan is to be developed for inclusion in the District's Capital Improvement Budget, costs associated with advancing the capital project are to be capitalized.
- 6.2. To facilitate the tracking of capital project costs to be expensed versus capitalized, the District will establish separate capital project codes to distinguish between phases where costs will be expensed and those capital project phases where costs are to be capitalized.
- 6.3. Capital project costs to be capitalized will be reported as Construction-In-Progress until the capital project is completed and the capital asset is placed into service.



Accounting, Auditing and Financial Reporting Capitalization of Fixed Assets

Policy 8.1.0

(Replaces Policy 8.1.0, 9.1.0 and Practice 2.9.0)

7.0 Responsibility and Roles

- 7.1 The Board of Trustees approves District policy governing capital classes, thresholds, and useful lives.
- 7.2 The Senior Accountant will capitalize assets, process monthly depreciation, and perform year-end reconciliation of capital assets.
- 7.3 The Controller is responsible for approving items to be capitalized, modified, or disposed.

Note: The disposal of capital assets are to be accounted for consistent with the procedures detailed in the District's Policy and Procedures Manual for Accounting and Financial Control (Section IX.5.0)

Incline Village General Improvement District Capital Asset Policy and Procedures Manual

Table of Contents

Introduction	4
Policy	5
Capital Assets Defined	5
Capital Assets-Government and Business Type	6
Work In Progress	7
Depreciation	8
Determination of Capitalization of Fixed Assets	9
Determination of Capitalization Cost	10
Building Repair and Maintenance vs. Capital Outlay: Building Improvement Expenditures	11
Capital Project Phases	11
Capital Project - Responsibilities and Roles	12
Finance Department Responsibilities	13
New Acquisitions	13
Posting Changes	13
Capital Assets Listings	13
Periodic Audits	13
Department Responsibilities	14
Monitoring and Maintaining Control over All Capital Assets Assigned	14

Designating a Capital Asset Coordinator	14
Reporting All Changes on A Timely Basis	15
Maintaining Supplementary Records	15
Taking Physical Capital Assets Inventory Annually	15
Notifying Finance of All Capital Asset Donations	15
Instructions for Capital Asset Inventory Status Change Forms	16
Capital Asset Inventory	18
Annual Physical Inventory	18
Change of Department Head/Acting Head	19
Surplus Capital Assets Defined	19
Disposal of All District Capital Assets	19
Removal of Capital Assets from Capital Asset Inventory Control System	20
Grant Assets	20
Assets Descriptions	20

Introduction

Why Maintain Capital Asset Records?

There are numerous reasons for maintaining capital assets records. The following are a few that apply to IVGID directly:

There is a very definite possibility that the financial statements can be either overstated or understated without proper capital asset inventories.

Improper capital asset records can lead to qualified Auditor's Reports which can play a significant role in getting bond issues placed.

The ability to take a physical inventory is greatly compromised if capital assets are not maintained on a regular basis.

Without fixed asset records, planning and scheduling of preventive maintenance and capital asset replacement is difficult.

Accurate capital asset listing and valuation is necessary to determine the appropriate amount of property insurance coverage.

With an accurate and current capital asset inventory, you can prevent unnecessary purchases that create duplications.

A proper capital asset listing will prevent grant violations and unwanted audit exceptions.

Without adequate capital asset records and resultant controls of assets, surplus property will not be disposed of promptly or sold for an appropriate price.

Last, but not least, is public scrutiny. A well-maintained capital asset inventory system demonstrates to the public the expenditures of tax dollars are being wisely spent.

Policy

It is IVGID's policy to safeguard, control, and account for all the capital assets for which we are responsible.

I. Capital Assets Defined:

Capital assets include land, improvements to land, water rights, easements, buildings, building improvements, vehicles, machinery, equipment, right to use, infrastructure, construction in process (CIP), and other tangible or intangible assets that are used in District operations that have initial useful lives of five years or more and meet defined capitalization thresholds.

For example:

1. A single tangible item valued at \$10,000 or more and having an estimated service life of more than five years is classified as a capital asset and expenditures for these items are generally charged to capital outlay accounts. In general, the \$10,000 limitation applies to a single item purchased, therefore, 10 chairs with a cost of \$1,000.00 each would not be classified as a capital asset. However, new guidance requires capitalization when the collective acquisition cost is significant in the aggregate. So, using the above example, if 1,000 chairs were purchased at \$500 each, the collective cost could be considered significant, and the purchase should be capitalized. The service life of more than five years would still be applicable to purchases that are considered significant.

Capital assets actual cost is recorded as an expenditure at the time of purchase in the Departments budget and (except for Business Type Assets) the underlying asset is recorded in the Government-type Asset Group. The Capital Asset Inventory may also include items of lesser value which are subject to pilferage.

Capitalization Thresholds. The District's capitalization threshold shall be as follows:

<u>ASSET CLASS</u>	<u>CAPITALIZATION THRESHOLD</u>
Land	All
Right to Use	All
Building and Structures	\$ 25,000

Venue Improvements	\$ 10,000
Service Infrastructure	\$ 25,000
Equipment and Vehicles.....	\$ 10,000

Capitalization thresholds are typically to be applied to individual items.

Thresholds may be applied to a network or group of items when:

- 1) Similar types of assets are grouped together as a class (example: golf carts when they are components of a fleet; banquet facility furnishing)
- 2) The items represent components of a system or network (components of a computer/ telephone network; snow-making system)

In cases where any asset is established to be a group of items, rather than being capitalized individually, the District will document justification to support the grouping of the assets.

A. Capital Assets-Government and Business Type

1. Capital Assets may be acquired by outright purchase, construction, lease purchase agreement, installment purchase contract, eminent domain, tax or special assessment foreclosure, or gift. Capital assets purchased by the District are recorded at cost and shall include purchase price, constructions cost, value of donated goods and/or services, and ancillary charges. Ancillary charges mean incidental costs necessary to place a capital asset into its intended location, condition, or use. Examples include title fees,

attorney or architect fees, freight charges, taxes, and site preparation costs. Ancillary charges are capitalized in addition to the purchase price and/or construction cost of capital assets.

2. Donated capital assets are recorded at their estimated fair market value on the date donated.

3. Leased Machinery and equipment are capitalized when any of the following criteria is satisfied:

a. The lease transfers ownership of the property to the lessee by the end of the lease term.

b. When the value of the lease agreement exceeds 75% of the Market Value of the underlying asset the item is deemed a Capital Lease.

c. The lease term contains a bargain purchase option. (For example: IVGID has the option to purchase the item for \$1.00 at the end of the lease.

These are known as capital leases. Leases which are merely rentals (operating leases) are not charged to capital outlay. Department Heads should work with Purchasing as they are not allowed to bind IVGID to a financial agreement. Once lease is obtained a copy of such lease agreements should be provided to the Finance Department. (Examples include capital leases on copiers which should also include Information Technology department involvement.)

4. Public domain (infrastructure) Business Type Assets, consisting of sewer lines, water lines, submerged pumps, and down hole pumps and motors are not visible capital assets, but are capitalized.

5. Business Type assets are recorded at cost in the capital asset accounts of that fund.

B. Work in Progress

Work in progress is a capital asset classification used to account for capital outlay expenditures accumulated during a construction or implementation period, and capitalized once the asset is placed in service. Asset is considered "placed in service" when the asset is for all intents and purposes, in use by the public or employees of IVGID.

II. Depreciation:

A. Governmental-Type Assets:

Depreciation of capital assets is calculated over the estimated service life and accounted for in the Government Wide Governmental Activities of the ACFR.

Useful Life of Capital Assets. Assets should only be capitalized if they have an estimated useful life of five years of more.

Capital assets are depreciated using the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Years</u>
Building and Structures	10-40
Venue Improvements	10-25
Service Infrastructure	5-40
Equipment and Vehicles	3-20

Note: The Accounting Division will maintain Schedule of Useful Life for specific assets.

B. Business Type Assets:

Depreciation of capital assets is calculated over the estimated service life and accounted for in each Business Type Fund of the ACFR.

C. Convention for applying depreciation in the year of acquisition and the year of disposal:

a. Depreciation -will be expensed from the date of acquisition or when an item is considered "in use". For capital projects budgeted \$1,000,000.00 or more, an assessment of work in progress should be done in order to make sure that substantially complete components of a project get capitalized in the period they are put into use.

b. In the year of disposal, depreciation will be prorated according to the disposal date.

III. Determination of Capitalization of Fixed Assets

- A. Capital projects will be capitalized if they meet one of the following criteria:
- o The project is creating a new asset for the District
 - o The project extends the useful life of an asset beyond what was originally established as the estimated useful life for that asset, and/or
 - o Significantly increases the service capacity of the asset
- B. Right to Use assets represent leased equipment and will be capitalized using the current value of all future lease payments per GASB 87. If the lease does not have a stated interest rate to determine current value with, an imputed rate will be determined by other similar leases.
- C. Expenditures that simply maintain a given level of service or repair an item to its intended function will be expensed.
- D. Three major categories of costs subsequent to original construction or acquisition are incurred relative to capital assets:
- Capital Improvements - an improvement is the substitution of a better component for which possesses superior performance capabilities, whereas a replacement is the substitution of a similar component.
 - Capital Replacement - a replacement, which is a substitution of a component of the asset with one of similar quality is to be expensed. On rare occasions, a replacement can be considered improvements and be capitalized if it meets criteria for capitalization (A).
 - Capital Maintenance - activities budgeted as capital projects will be expensed as repair and maintenance expenses if they meet one of the following criteria:
 - o The activity is performed on a regular and recurring basis to keep the District's assets in their normal operating condition over the course of the originally established useful life.
 - o The project represents a repair activity that restores an asset to its intended function.

IV. Determination of Capitalization Cost:

In addition to the actual cost to acquire a capital asset, ancillary cost associated with preparing the property for its intended use will be capitalized. The following ancillary costs are included in determining the capitalization cost of the asset:

1. Land
 - a) Title search costs
 - b) Attorney's fees
 - c) Liens assumed
 - d) Taxes assumed
 - e) Grading costs
 - f) Land Improvements with an indefinite life

2. Buildings
 - a) Attorney's fees
 - b) Architect's fees
 - c) Inspection and building permits

3. Machinery and Equipment
 - a) Freight and shipping cost
 - b) Outside installation cost

The following costs are not included as part of the capitalized cost of the asset:

1. In-house labor
2. Training expenditures
3. Service or maintenance contracts
4. Replacement parts

With regard to building improvements (see differentiation between building improvements and building repair and maintenance below), if the project totals \$5,000.00 or more whether it is from one or more vendors, the improvement is charged to capital outlay. When more than one vendor is involved, the department will request a project number and that number will be on each purchase order or claim/invoice by the Department in which the document originated.

V. Building Repair and Maintenance vs. C/O: Building Improvement Expenditures:

Capital expenditures for building improvements meet the following two criteria:

1. A minimum total project cost of \$5,000.00, and
2. Either a building addition or a major remodeling to an existing asset where the service life of that asset is extended or its value is enhanced.

Expenditures for any alterations to buildings such as heating, air conditioning, partitions, etc. are to be capitalized as Building Improvements and accounted for separately from the equipment account. All buildings repairs (not improvements), both routine and major, will be charged to the services and supplies account.

VI. Capital Project Phases:

Major capital projects, will be managed through defined project phases. These may include:

- Feasibility
- Planning
- Design
- Construction
 1. Costs incurred in pre-planning phases, including Master Plans and Project Feasibility Studies, which explore potential capital projects are to be expensed. Once a master-planning or feasibility study results in a defined project, with a specific scope and cost estimate, and the Board determines that a funding plan is to be developed for inclusion in the District's Capital Improvement Budget, costs associated with advancing the capital project are to be capitalized.
 2. To facilitate the tracking of capital project costs to be expensed versus capitalized, the District will establish separate capital project codes to distinguish between phases where costs will be expensed and those capital project phases where costs are to be capitalized.
 3. Capital project costs to be capitalized will be reported as Construction-In-Progress until the capital project is completed and the capital asset is placed into service.

VII. Responsibility and Roles

1. The Board of Trustees approves District policy governing capital classes, thresholds, and useful lives.
2. The Senior Accountant will capitalize assets, process monthly depreciation, and perform year-end reconciliation of capital assets.
3. The Controller is responsible for approving items to be capitalized, modified, or disposed.

VIII. Finance Department Responsibilities:

A. New Acquisitions:

1. Adding new acquisitions to the Capital Asset Inventory Listing
2. Assigning either a IVGID Capital Asset Tag for all new acquisitions except computer hardware/software
3. Issuing IVGID Capital Asset Tags to the acquiring Departments on a timely basis

B. Inputting changes (additions, transfers, deletions) to the Capital Asset Inventory Control System including those for computer hardware/software

C. Capital Assets Listing

4. Providing updated Capital Assets Listings to each Department on an annual basis or upon request.
5. Providing, upon request, special capital Asset Inventory Listings which are sequenced in a variety of formats

D. Periodic Audits

Capital Assets are subject to periodic audits by the following:

1. The Finance Department
2. Independent Auditors

IX. Department Responsibilities:

Monitoring and maintaining control over all Capital assets assigned (according to the Capital Asset Inventory Listing) to its location.

1. Each Department Head is responsible for the capital asset assigned to his/her location (see attached Location List)
 - a) Capital Assets will be safely housed (when possible) and secured.
 - b) Capital Assets will be adequately maintained and used in a manner which will maximize its service life.
2. The Department Head will be required to sign-off on his/her annual departmental physical capital Asset Inventory.
3. When a capital asset status change (i.e. transfer to another location, transfers from Surplus, abandonment, loss, trade-in, theft, etc.) occurs, the Department Head is responsible for reporting this change on the Fixed Asset Inventory Status Change Form (FAISC) and submitting it to the Finance Department. All changes must be adequately explained on the FAISC Form.
4. All proposed deletions of Capital Assets will be put before the Board of Trustees on an annual basis for the final authorization to remove the Capital Assets from the Capital Asset Inventory Listing.
5. If there is an error in the Capital Asset Inventory Listing, Finance will be notified by short memo immediately.

Designating a Capital Asset Inventory Coordinator

1. The Department head will designate a staff member to be a Capital Asset Inventory coordinator to be responsible for maintaining and updating all Capital Asset records for the Department including the preparation of the Capital Asset Inventory Status Change Form.

- A. Reporting all changes on a timely basis to ensure Capital Asset Control System Data is current.

- B. Maintaining Supplementary Records
 - 1. The Inventory Coordinator in each Department will maintain sufficient supplementary records to precisely locate every item on the Fixed Asset Inventory Listing. He/she will monitor departmental FAISC to ensure that the required corrective action has been accomplished by Finance.

- C. Taking Physical Capital Assets Inventory on an Annual Basis

- D. Notifying the Finance Department of all capital asset donations and providing asset description and cost information
 - 1. FAISC Forms must specify in the “Comments Section”, that such assets are donated.

X. Instructions for Fixed Asset Inventory Status Change Forms:

A. Uses – Transaction Types

1. Departments

- a. Donated Capital Assets
- b. Transfers to another Department
- c. Transfers to or from Surplus
- d. Dispositions

2. Finance

- a. New Acquisitions

B. Preparation- fill in only the items specified for each transaction type:

- 1. Donated Capital Assets
 - a. Transaction Code – use “1”

- b. Location (To) – use your Department location Number (see Location Listing)
 - c. Capital Asset Description and Serial number (see “XV” below)
 - d. Date acquired
 - e. Cost – actual cost or estimated fair market value. Please provide all supporting documentation to Finance.
2. Transfer to Another Location (Department)
- a. Transaction Code – use “2”
 - b. Location (From) – use your Department location number (see listing)
 - c. Location (To) – use location number of the Department for which you are transferring the Capital Asset
 - d. Capital Asset Description – (optional) a brief description here may be used as a check against a Capital Asset number typed in error.
3. Transfer from Surplus
- a. Transaction Code – use “3”
 - b. Asset Number- if tag is missing, please provide a detailed asset description
 - c. Location (From) – use “90” for Surplus
 - d. Location (To) – use your Department location number (see Listing)
4. Disposition – also see “XV” below
All dispositions of Capital Assets must be coordinated with the Finance Department.

- a. Transaction Code – use “4”
- b. Asset Number
- c. Location (From) – use your Department location number (see listing)
- d. Capital Asset Description – (optional) a brief description here may be used as a check against a Capital Asset number typed in error.
- e. Explanation/Comments – describe the nature of the transaction (i.e. sale, trade in, theft, damage, etc.)

(1) In the event of a theft or property damage (no matter how minor), a report must be filed with Local Law Enforcement, and a notice of Loss/Accident Form must be completed and remitted to the Insurance Administration.

C. Authorization

- 1. All Department FAISC Forms must be approved and signed by the Department Head before they are submitted to Finance.
- 2. In the case of transfers, the receiving department must also sign the FAISC Form (before it is submitted to Finance) in the space provided in acknowledgement of the receipt of the transferred Capital Asset.
- 3. In the case of Capital Asset disposal, the FAISC Form must also be approved and signed by the Purchasing Agent before they are submitted to Finance

XI. Capital Assets Inventory:

A. Annual Physical Inventory:

An annual physical inventory of all capital assets will be taken by the individual departments based on the Capital Assets Inventory Listing provided by the Finance Department at year end. Each department must verify that the capital assets attributed to it are on hand at year end or provide an explanation for its absence. Physical inventories must be completed and capital Asset Inventory Listings must be signed by each Department Head and returned to Finance within 30 days after receipt of the listing. The IVGID Manager will be notified of missing or unaccounted for capital assets. All proposed deletions will be put before the Board of Trustees on an annual basis for

authorization for removal of the Capital Assets from the IVGID Capital Asset Inventory Listing.

B. Change of Department Head/Acting Department Head:

When a change of Department Head and/or acting Department Head is made, an inventory will be taken by the Department within 30 days of such change and a report will be submitted to the Finance Department which has been certified by both the incoming and outgoing Department Head.

XII. Surplus Capital Assets Defined:

Capital Assets no longer used by the assigned Department may be transferred to Surplus for assignment to another Department or sold.

XIII. Disposal of All IVGID Capital Assets:

1. All disposals of IVGID Capital Assets will be coordinated by the Finance Department. The requesting Department will provide the Finance Department with available information on the sale or the disposal of the capital assets including the following:

- a. Capital Asset number
- b. Capital Asset description
- c. Sale price
- d. Date of disposal

2. Any Department receiving Capital Assets from Surplus are responsible for notifying Finance of this transaction.

XIV. Removal of Capital Assets from the Capital Asset Inventory Control System:

Capital Assets may be removed from the accounting system only after formal approval of the Board of Trustees.

XV. Grant Assets:

Grant Assets may require special treatment depending on Grant Contract provision and therefore, must not be transferred, traded in, sold, etc. without first notifying the Finance Department of the proposed action. Please contact Finance if you have any questions on the treatment of Grant Assets. EXAMPLE: For any assets purchased with grant funds that are ultimately sold, the net proceeds must be returned to the granting agency in the same percentage that the grant was given. Also, Grant Assets must be used in the manner specified in the Grant Agreement.

XVI. Asset Descriptions:

Proper Capital Asset description facilitates the identification of capital assets. Asset descriptions used on the Capital Asset Inventory Listing for the new acquisitions are generally taken from those used on the purchase order or claims and the vendor invoices. At times neither document provides adequate identifying data must be provided by the acquiring department on FAISC Form to the Department to be completed and returned in a timely manner. Additional information required may include the following:

1. Serial or Other Identification Number
2. Model Number
3. Color and/or Size
4. Accessories

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

Item D.4.

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

Item D.4.

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)

Item D.4.

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

Incline Village General Improvement District

893 Southwood Blvd.

Incline Village, NV 89451

Office: 775-832-1365



**Incline Village General Improvement District
Audit Committee**

*Sara Schmitz, Trustee
Raymond Tulloch, Trustee
Vito Brandle, Committee Member*

MEETING MINUTES

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT AUDIT COMMITTEE MEETING
HELD IN INCLINE VILLAGE ON June 17, 2024**

*Viewing available by clicking the link and choosing BOT Meeting 06.17.2024 at <https://livestream.com/accounts/11122478>

The Regular Meeting of the IVGID Audit Committee was called to order at 4:14 P.M., on June 17, 2024.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS

Committee Member Vito Brandle, Trustee Schmitz, and Chairman Tulloch were present.

B. PUBLIC COMMENTS

Caller 0996 - Chris Nolet provided public comment regarding the Meeting Minutes for approval and Audited Financial Statements - the 2023 ACFR is not Audited.

C. APPROVAL OF AGENDA

The Agenda is approved as submitted, no exceptions noted.

D. GENERAL BUSINESS ITEMS (for possible action)

- 1. Review, and Discuss the Fiscal Year 2023 - 24 Annual Audit Schedule and Requirements. (Requesting Staff Member: Assistant Director of Finance Adam Cripps)**

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Assistant Director of Finance Adam Cripps provided a brief opening statement, outlining the scheduled engagements with the Davis Farr Group, outlining the inventory counts scheduled right before the end of the fiscal year as requested by the Audit team. Mr. Cripps then opened the floor to Ms. Jennifer Farr to provide additional detail and timeline of the 2023-24 Annual Audit.

Ms. Farr began by saying that the team is in the infancy of planning for the upcoming audit. She further confirmed the planning of inventory audit procedures and that the Audit team has about 2 weeks of field work that is scheduled for mid-July. The Team will be looking at internal controls and doing testing on those controls. The audit Team will also need to do a risk assessment for the upcoming audit to determine where the Audit procedures will be focused, and then they will also talk about the scheduling and timing of the Audit. At that time they will get an update on the bank reconciliations and how the year closes. From that point the team will be able to provide a rough timeline for the remainder of the audit.

Jennifer Farr added that Davis Farr has made some preliminary requests of the District finance Department, that are due by July 15, 2024.

She went on to say that the Audit has not started, and that Davis Farr does not have an engagement letter, and have not done any planning yet.

Trustee Schmitz took the floor and stated that she seemed to recall that in past years the district usually had a calendar for the Audit processes in May, and asked if the delay until July would put the timely completion of the Audit at risk?

Ms. Farr explained that the timing of the audit has to do with how long it takes for the books to be closed for June 30, 2024, for all of the year internal entries to be recorded, and all of the audit request items to be provided. At that point the bank reconciliations are done, the account reconciliations are done, and the audit requests are provided. After that, the Audit team is able to start the audit. She expanded to say that whether the audit team perform planning procedures in May, July or August is not really going to impact the final audit. The Timing of when those numbers are entered into the accounting system, complete, and ready for Audit will. Currently the Audit team does not know what that timing is.

Following additional discussion, Trustee Schmitz went on to ask Ms. Farr if

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there was any additional work that she needed to do or that staff needed to do relative to the 2022/23 audit, to verify balances?

Jennifer Farr explained that due to the ending balances of 2022/23 that Davis Farr will have to evaluate whether or not they could express an opinion on the June 30, 2024 District Financial Statements, the district finance department will need to determine whether or not that is a Goal. The Audit Committee Should determine whether or not that is a goal, and then Davis Farr will need to determine whether or not that is feasible.

Jenifer added that the first step in removing the disclaimer of opinion would be having the Forensic Due Diligence Audit completed, and available to the Davis Farr Group in order to allow them to determine whether or not it has an impact on their audit risk and how they design their procedures. If the Due diligence audit identifies areas of concern, then the group will have to take that into consideration when they design their audit procedures, and its impact on the Davis Farr Group performing additional audit procedures.

She continued by saying that the second hurdle would be determining whether or not they could obtain sufficient auditive and evidence on those beginning balances that were essentially unaudited last year. This would involve additional testing.

Davis Farr would be looking at the subsequent period, evaluating transactions to determine whether or not there are proper cut offs, and if the transactions were properly recorded in the current period. So that's all something that will be discuss during the interim audit.

“Where are we? What is the goal? Is the goal to not have a disclaimer of opinion for June 30, 2024? Is that feasible? And if so, what are the steps to get us there?”

Following up on Jennifer Farr’s explanation, Trustee Schmitz requested that the Committees goal be to not have a disclaimer of opinion.

Chair Tulloch was in agreement with the goal and asked if we have to revisit last year’s numbers in order to make sure that the closing balance is the balance that you are starting with?

Ms. Farr confirmed Trustee Tulloch’s question and reiterated that step one would be to make sure that the due diligence audit is completed, because she is going through the process of retesting or reevaluating those last year's ending balances for the beginning year. This year's current balances is kind of an unnecessary step. If we can't get past hurdle number one but assuming that the due diligence audit procedures are completed and the report is

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complete, Davis Farr would have to perform additional procedures to get comfortable with those account balances.

Trustee Tulloch then asked if Ms. Farr had an estimate of the additional work involved to clear up the 2023 audit, so that the District could start on the 2023-24 process.

Jennifer far responded that it is hard to tell at this time. She stated that “When we do perform our interim planning procedures that are starting on July 15.th We'll have a better idea, at that time regarding how things are going in terms of timeliness, account reconciliations. Has there been a big, clean-up effort? Are the accounts and records in excellent shape. Are we now able to rely on that documentation?. It's one of those things where it's just challenging to tell you what the end result might be without seeing what's been going on during the year.

Tulloch then asked if the Accounts and records were in excellent shape and the documentation was able to be relied on if that would remove the Disclaimer on the 2022-23 and resolve the matter.

Ms. Farr further clarified that it would not be her intention to reissue the June 30, 2023 audit, only to evaluate whether it is possible to issue the June 30, 2024 Audit without a disclaimer.

Following additional discussion between the committee and staff, Trustee Tulloch set the date for the next Audit Committee meeting for July 29th for an update on the audit process so that he could provide a report to the Board of Trustees.

2. Verbal Update on the Due Diligence Audit. (Requesting Committee Member: Trustee Raymond Tulloch)

Trustee Tulloch provided a brief verbal update to the committee, and indicated that he had spoken with Rubin Brown on the phone. He went on to say that Rubin Brown was still working through some emails and Chair Tulloch understood that they would be requesting further information from the District General Manager, and the Assistant Director of Finance. Trustee Tulloch has requested that Rubin Brown present a report to the Board of Trustees on July 10, 2024 Board meeting.

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3. Review and Discuss the Status of the Audit Committee Applicants. (Requesting Staff Members: Assistant Director of Finance Adam Cripps, and District General Manager Bobby Magee)

Assistant Director of Finance Cripps provided a brief update regarding the Audit Committee Applicants and Applications, and provided a basic timeline of where staff is. He stated that at the April 24th Board meeting Item E.1. was discussed and that the board directed the Audit Committee Chair, Trustee Tulloch to work with staff to update the advertisement for candidates for the Committee. Additionally, at this time Staff is still waiting for that information.

Trustee Tulloch asked General Manager Magee to have staff contact him so that the advertisement can move forward.

E. LONG RANGE CALENDAR REVIEW

July 29, 2024 – Review and Discuss Due Diligence Audit Findings
GM Magee to find working list of Audit Committee Items from Previous Audit Committee

F. MEETING MINUTES (for possible action)

1. Approval of the Audit Committee Meeting Minutes for March 7, 2024. (Requesting Staff Member: District Clerk Heidi White)

2. Approval of the Audit Committee Meeting Minutes for March 25, 2024. (Requesting Staff Member: District Clerk Heidi White)

Motion to Approve the Meeting Minutes of March 7, 2024; and Meeting Minutes for March 25, 2024 as modified and noted (typographical changes and clarification related to the Audited or unaudited Financial Statements related to the Disclaimer of Opinion) What was said on the record is what is reflected in the meeting minutes.

Unanimously approved with a Vote of **3/3**

G. PUBLIC COMMENTS

There were no public comments.

H. ADJOURNMENT (for possible action)

The IVGID Audit Committee Meeting of June 17, 2024
Adjourned at 4:58 P.M.

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**Incline Village General Improvement District
Audit Committee**

*Sara Schmitz, Trustee
Raymond Tulloch, Trustee
Vito Brandle, Committee Member*

MEETING MINUTES

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT AUDIT COMMITTEE MEETING

HELD IN INCLINE VILLAGE ON August 20, 2024

*Viewing available by clicking the link and choosing BOT Meeting 08.20.2024 at <https://livestream.com/accounts/11170387> or it the Civic Clerk Portal at: <https://ivgid.portal.civicclerk.com/event/474/media>

The Regular Meeting of the IVIGD Audit Committee was called to order at 1:30 P.M., on August 20, 2024.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS

Roll Call: Committee Member Vito Brandle, Trustee Schmitz, and Chair Tulloch were present.

B. PUBLIC COMMENTS

Public comments were provided by Aaron Katz (written statements are included for the record), Cliff Dobler, and Chris Nolet.

C. APPROVAL OF AGENDA

Motion to move Agenda Item D.3. to become General Business Item D.1.; Item D.2. to email as Item D.2.; and Item D.1. to become Item D.3.

This Motion was unanimously Approved

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D. GENERAL BUSINESS ITEMS (for possible action)

3. Receive a Verbal Report from the Interim District General Manager on the staffing levels and work backlog in the accounting/finance department including current open positions (Requesting Staff Member: Director of Human Resources Erin Feore)

Director of Human Resource Erin Feore provided a brief overview of the current staffing levels and work backlog in the Accounting/ Finance Department, including current open positions. She stated that the following positions were not budgeted for fiscal year 2024-25. There is no budget for the Director of Finance Position, the 3rd accounting position, and the revenue manager position for FY 2024-25. Director Feore then listed the positions that were budgeted for the fiscal year.

Trustee Sara Schmitz asked for clarification regarding the positions that were approved in the budget process.

Committee Member Brandle asked Director Feore how many positions are open to be filled that are budgeted? Chair Tulloch followed up on Mr. Brandle's question, and asked how many positions were unfunded that the board believed were going to be funded per the approved Budget.

Following additional committee and staff discussion, Director Feore intends to contact the General Manager Magee and get his input prior to the Board Meeting this evening.

Director Feore confirmed that there are two positions that are open, un-budgeted and unfunded.

2. Review, Discuss, and Approve the Davis Farr Engagement Letter, Davis Farr Annual planning Communication Timeline, and Actions for the Fiscal Year 2024 Annual Audit. (Requesting Staff Members: Finance Department, and Jeff Ball with Davis Farr)

Mr. Jeff Ball provided a review summarizing the information in the Audit Planning Communications letter, to include the timeline, scope of work, and the risk assessment process.

Committee Member Vito Brandle asked about the engagement letter, and the information in the Rubin Brown findings

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Item D.2. continued

Trustee Schmitz asked for the scope of work to be verified, and that Davis Farr provide a schedule, timeline and details with cost estimates.

Chairman Tulloch asked if the second and third items on the engagement piece would complete the work that is outstanding for the 2023 Audit.

Mr. Ball clarified that this would only be to establish and verify the ending balances for 2023 and the beginning balances for 2024 balances are accurate, not to reissue or remove the disclaimer of opinion for the 2023 Audit.

Tulloch went on to ask how much of this information (documentation/ data) is still outstanding from last year?

Chair Tulloch went on to clarify that the final draft of the Due Diligence Audit did not change the findings, it just added clarifications and definitions.

Mr. Ball would not speculate on the testing that Davis Farr will be doing and the possible outcomes.

Trustee Schmitz asked that the final engagement letter should have a noted "not to exceed amount".

The Audit Committee directed staff to work with Davis Farr to make the changes as requested and, once modified, to bring the Engagement Letter back for approval by the Audit Committee.

1. Review, and Discuss the Rubin Brown, Final Due Diligence Audit Findings, and provide recommendations for follow-up actions. (Requesting Committee Member: Chair Raymond Tulloch)

Trustee Tulloch provided a brief explanation of the changes as requested by the Board.

Trustee Schmitz commented on page 7 of the report HRA, the FSA bank balance, and HSA draw down on the HR payroll accounts. She also had questions related to vendor accounts. Trustee Schmitz asked if Rubin Brown would be providing the documentation so that the district would be able to follow up and for corrective action.

Trustee Schmitz will put a list of questions together for Rubin Brown to address.

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Item D.1. continued

Mr. Brandle asked when we would put together a plan to address these issues. Trustee Tulloch stated that the audit committee can make recommendations, and support the board, but at this time the action lies with the Board.

4. Update on Applications for possible Audit Committee at Large Members. (Requesting Committee Member: Raymond Tulloch)

Trustee Tulloch provided a brief update to the committee on the status of the Audit Committee applications. To date, the committee has received inquiries from 10 individuals who have expressed interest. Those who have expressed interest have not provided resumes, or detailed backgrounds at this time. Staff will be following up with these applications.

E. LONG RANGE CALENDAR REVIEW

The Long Range Calendar will be updated once Chair Tulloch has an Audit timeline.

F. MEETING MINUTES (for possible action)

G. PUBLIC COMMENTS

Public Comment was provided by Cliff Dobler and Chris Nolet

H. ADJOURNMENT (for possible action)

The IVGID Audit Committee Meeting Adjourned at 2:49 P.M.

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**WRITTEN STATEMENT TO BE ATTACHED TO AND MADE A PART OF THE
WRITTEN MINUTES OF THE IVGID AUDIT COMMITTEE'S AUGUST 20,
2024 MEETING – AGENDA ITEM D(2) – AUDITOR ENGAGEMENT**

Introduction: Well here's yet "another one" as my friend DJ Kahled would say¹. More evidence of staff incompetence, lack of knowledge and professionalism, and a flagrant disregard for the financial sustainability of the District. This time it's staff's willingness to enter into any agreement just so we can engage an auditor. And that's the purpose of this written statement.

My August 13, 2024 E-Mail to The Committee²: On August 13, 2024 I sent the Committee an e-mail wherein I objected to our auditor's proposed engagement letter. My objections were not limited to the one-sided contents, but also the fact that relevant materials were not included in the original Committee packet. Rather than recounting the substance of my comments, I refer the reader to said Exhibit "A."

My August 19, 2024 E-Mail to The Committee³: On August 19, 2024, after staff had yet again added additional materials to the Committee packet, I sent the Committee another e-mail wherein I objected to our auditor's proposed engagement letter. My objections were not limited to the one-sided contents, but also the fact that: relevant materials were not included in the original Committee packet; and some unknown employee had pre-signed our auditor's engagement letter in lieu of who is supposed to be our CFO (i.e., Adam Cripps). Rather than recounting the substance of my comments, I refer the reader to said Exhibit "B."

Conclusion: Every day that goes by, we learn how dysfunctional this District really is. Unprofessional and wasteful conduct occurs g over and over and over again. Unqualified, incompetent and over compensated staff get replaced by even more unqualified, more incompetent and more over compensated staff. And look at the results. No effort to eliminate wasteful expenditures nor to protect the public from one-sided engagements like the one the subject of this written statement. As I've pointed out so many times before, these are all the red flags of a criminal

¹ Go to <https://medium.com/cuepoint/the-old-people-s-guide-to-dj-khaled-5618a5aa52b1#:~:text=Another%20One%20%E2%80%94%20One%20of%20the,of%20shoes%2C%20or%20something%20else.>

² That e-mail is attached as Exhibit "A" to this written statement.

³ That e-mail is attached as Exhibit "B" to this written statement.

syndicate⁴. And then you wonder why your Recreation (“RFF”) and Beach (“BFF”) Facility Fees continue as involuntary subsidies, and they are as high as they are?

When is the Board going to put members’ collective feet down and put an end to these practices? Given NRS 318.515(1) states that where the: “(a) district...is not being properly managed; (or, its) (b) board of trustees...district is not complying with the provisions of...any other law;” when will the Board notify the Washoe County Board of Commissioners to hold a hearing to consider whether to: (a) adopt an ordinance (substituting)...the board of county commissioners, *ex officio*, as the board of trustees of the district; (b) adopt an ordinance providing for the merger, consolidation or dissolution of the district...(c) file a petition in the district court for the county in which the district is located for the appointment of a receiver for the district; or, (d) determine by resolution that management and organization of the district will remain unchanged?” Don’t you think the time has come to become fiscally responsible and for the county to assume supervision over the district?

Respectfully submitted, Aaron Katz (Your Community Watchdog Because Nearly No One Else Seems to be Watching).

⁴ NRS 207.370 instructs that “criminal syndicate means any combination of persons, so structured that the organization will continue its operation even if individual members enter or leave the organization, which engages in or has the purpose of engaging in racketeering activit(ies).”

EXHIBIT "A"

August 20, 2024 Audit Committee Meeting - Please Do NOT Sign Our Auditor's Proffered Engagement Letter! It Requires Modification

From: <s4s@ix.netcom.com>
To: Schmitz Sara <schmitz_trustee@ivgid.org>
Cc: Matthew Dent <dent_trustee@ivgid.org>, Michaela Tonking <tonking_trustee@ivgid.org>, Dave Noble <noble_trustee@ivgid.org>, Bobby Magee <bma@ivgid.org>, Mick <homan4ivgid@gmail.com>, Michelle <jczycki4ivgid@gmail.com>, Dobler Cliff <cfdobler@aol.com>, Tulloch Ray <tulloch_trustee@ivgid.org>
Subject: August 20, 2024 Audit Committee Meeting - Please Do NOT Sign Our Auditor's Proffered Engagement Letter! It Requires Modification
Date: Aug 13, 2024 4:26 PM

Chairperson Schmitz, other Honorable Members of the IVGID Board, Mick and Michelle -

I am in receipt of Cliff Dobler's e-mail below.

I am shocked to learn there are no longer members at large on the District's Audit Committee to review niceties such as an engagement letter with our auditor. And this shortcoming has a direct impact on DavisFarr's audit engagement letter our auditor represents has not as of yet been executed. The purpose of this e-mail is to demonstrate why the District should not enter into such an agreement without major modifications.

Although I haven't seen DavisFarr's letter of engagement, I have every reason to believe it:

1. Includes a disclaimer absolving DavisFarr from responsibility to root out, investigate and report fraud (that is management's responsibility); and,
2. Calls for an audit which ascertains whether financial transactions have been properly recorded.

If I am correct, this absolution is irresponsible. We already have allegations of fraud or risk of fraud in our financial reporting (RubinBrown Forensic Due Diligence Audit Report). Why would we rely upon management to root out and address claims of fraud when here management are the very persons who are alleged to be perpetrators of that fraud? Language to this effect in any engagement letter needs to be excised from the proposed agreement with DavisFarr.

Insofar as what constitutes an audit, I again call your attention to NRS 354.486. This NRS defines 8 acceptable kinds of audit. NRS 354.624 which requires annual audits does not specify the precise type of acceptable audit which must be conducted. An audit which merely ascertains whether the District's financial transactions have been properly recorded is an absolute waste. What would be far more valuable for us is determining whether: a) fiscal controls established by law and administrative regulations are being properly applied; or, b) there is any evidence that fraud or dishonesty in the handling of funds or property. Especially given the fact I have alleged on several occasions the District is not being properly managed, in part, because of the inability to comply with NRS/NAC provisions.

I see an audit committee meeting is scheduled for August 20, 2024. I ask these matters be agendized for discussion and possible action. If they aren't, the Board will again be committing acts evidencing mis-management.

Thank you for your cooperation. Aaron Katz

-----Original Message-----

From: cfdobler@aol.com <cfdobler@aol.com>

Sent: Aug 13, 2024 6:50 AM

To: Erin Feorc <ckf@ivgid.org>, s4s@ix.netcom.com <s4s@ix.netcom.com>

Cc: Sara Schmitz <schmitz_trustee@ivgid.org>, Matthew Dent <dent_trustee@ivgid.org>, Michaela Tonking <tonking_trustee@ivgid.org>, Dave Noble <noble_trustee@ivgid.org>, Bobby Magcc <bma@ivgid.org>, Mick <homan4ivgid@gmail.com>, Michelle <jczycki4ivgid@gmail.com>

Subject: Re: PRR - Employee Terminations - P.S.

EXHIBIT "B"

RE: Aug 20, 2024 Audit Committee Meeting Engagement Letter - Agenda Item D(2) - P.S.

From: <s4s@ix.netcom.com>
To: Schmitz Sara <schmitz_trustee@ivgid.org>
Cc: Bobby Magee <bma@ivgid.org>, Dent Matthew <dent_trustee@ivgid.org>, Tonking Michaela <tonking_trustee@ivgid.org>, Noble Dave <noble_trustee@ivgid.org>, Tulloch Ray <tulloch_trustee@ivgid.org>, Mick <homan4ivgid@gmail.com>, Michelle <jezycki4ivgid@gmail.com>, harry <harryswenson4ivgidtrustee@gmail.com>
Subject: RE: Aug 20, 2024 Audit Committee Meeting Engagement Letter - Agenda Item D(2) - P.S.
Date: Aug 19, 2024 11:56 AM

Chairperson Schmitz, Other Honorable Members of the IVGID Board and Audit Committee, and Trustee candidates Mick, Michelle and Harry:

Well your staff are even more dirtier pieces of work than some of us give them credit for.

Now I have received from staff notice of supplemental materials associated with this agenda item. And what would these materials actually be?

DavisFarr's proposed audit engagement letter of August 14, 2024 calls for the signature of our Ass't Finance Director, Adam Cripps, in addition to Trustee Tulloch. And apparently on August 14, 2024, someone by the name of Vicky Nye, signed the document on Mr. Cripps' behalf. To say this is irregular would be an understatement. For the following reasons:

1. Who is Vicky Nye? How long has she been an employee? What qualifications does she have to be signing contracts such as these? Given this District's track record, I can guess the answer to the latter question is NONE! Until she proves herself to the public, I object to her performing any managerial functions. **And so should you!**
2. What does Ms. Nye know about contracting? Why would she agree to allowing our auditor to ignore district preparation and unfair presentation of basic financial statements that **are** the product of material misstatement? For whom exactly is Ms. Nye actually representing? Did staff simply find a "body" who would agree to sign a document like this, having no idea of its ramifications?
3. Why wasn't this document included in the original Committee packet. If I'm not mistaken, the Committee packet was made available to Committee members and requesting members of the public last Friday, August 16, 2024. But that was two days **after** Ms. Nye executed this document. Or did she backdate her signature? And **why was disclosure of this document hidden by staff until this morning?** If any of you think this was innocent and of no consequence, I say YOU'RE CRAZY! It's merely part of the less than ethical culture that permeates this place.
4. Where is Adam Cripps? Apparently on August 14, 2024 DavisFarr was under the impression Mr. Cripps was our CFO and in charge of entering into contracts such as these. But apparently, that wasn't and isn't the case. **Where exactly is Waldo?**
5. Assuming Mr. Cripps is gone, which I assume is the case, please explain to me how the District has the continuity necessary to represent to our auditor that our financial statements for 2023 are **not** the product of material misstatement? And without this assurance, what is the value of any audit DavisFarr might complete which would be founded upon a false narrative?

Before we start giving engagement letters to DavisFarr which obseve them of professional malfeasance, maybe we should take our time and start negotiating the terms of such engagement?

I ask Ms. Nye be removed from the process altogether, and the Committee consider my objections to follow insofar as DavisFarr's audit engagement letter is concerned.

Respectfully, Aaron Katz

-----Original Message-----

From: <s4s@ix.netcom.com>

Sent: Aug 19, 2024 9:39 AM

To: Heidi White <hhw@ivgid.org>

Cc: Bobby Magee <bma@ivgid.org>, Schmitz Sara <schmitz_trustee@ivgid.org>, Dent Matthew <dent_trustee@ivgid.org>, Tonking Michaela <tonking_trustee@ivgid.org>, Noble Dave <noble_trustee@ivgid.org>, Tulloch Ray <tulloch_trustee@ivgid.org>, Mick <homan4ivgid@gmail.com>, Michelle <jezycki4ivgid@gmail.com>, harry <harryswenson4ivgidtrustee@gmail.com>
Subject: RE: Aug 20, 2024 Audit Committee Meeting Engagement Letter - Agenda Item D(2)

What's wrong with you people?

Do you not understand English?

Or are you going out of your way to hide and deceive because you do understand English?

I thought you were both so transparent and ethical. And then this. Silly me!

Why do you continue to work for an organization like this one Heidi, which is so under handed and deceitful? Haven't you had sufficient opportunity to see for yourself? I can understand why Bobby Magee acts as he does. But he's out of here as of Wednesday leaving you to fend for yourself!

I asked to examine the June 24, 2024 DavisFarr engagement letter. Didn't I? NOT the most recent iteration of their August 14, 2024 letter. WHERE IS IT? Do I have to make a formal records request and then wait until well after the meeting to examine it? Without it, how can any member of the public be expected to provide meaningful public comment?

So let's do it the hard way. Consider my request a formal PRR request Heidi. I want to examine the DavisFarr June 24, 2014 engagement letter.

To the Audit Committee and the Board.

Remove this item (possible entrance into DavisFarr's most recent audit engagement letter) from the agenda and don't re-notice it until staff have provided a complete packet of relevant materials. In other words, the DavisFarr June 24, 2024 engagement letter which apparently portions thereof are incorporated into the most recent August 14, 2024 iteration.

Your staff have a duty under Policy 3.1.0 to include the same in the packet of materials for this meeting, and they have INTENTIONALLY breached that duty. And why do you suppose.

Further, has DavisFarr's June 24, 2024 audit engagement letter been shared with one or more IVGID Trustees? If so, why hasn't it been shared with me? After all, haven't I requested under NRS 241 that copies of all materials shared with the Board or Audit Committee in anticipation of a Board or Audit Committee meeting be shared with me? So where is it?

This is just more evidence you people are DYSFUNCTIONAL. And that the District is not being properly managed. Notify the Washoe County Board of Commissioners pursuant to NRS 318.515. Won't you?

Respectfully, Aaron Katz

-----Original Message-----

From: Heidi White

Sent: Aug 19, 2024 8:49 AM

To: s4s@ix.netcom.com
Cc: Bobby Magee
Subject: RE: Aug 20 Audit Committee Meeting Engagement Letter

Please see the attached information provided by Davis Farr

Respectfully,

Heidi H. White
District Clerk

Incline Village General Improvement District
893 Southwood Blvd., Incline Village, NV 89451
Cell: 775-558-9500 hhw@ivgid.org

Email: hhw@ivgid.org
Office: (775)832-1268
Cell: (775)558-9500

-----Original Message-----

From: s4s@ix.netcom.com
Sent: Saturday, August 17, 2024 12:53 PM
To: Heidi White
Cc: Bobby Magee
Subject: Aug 20 Audit Committee Meeting Engagement Letter

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Hi Heidi -

The August 14, 2024 engagement letter included in the Board packet for this meeting expressly states and in essence incorporates an earlier June 24, 2024 engagement letter? Since it does, where is it?

Can you please provide me with a copy at your earliest convenience so I can evaluated precisely what it is that's being engaged?

Thank you for your cooperation. Aaron