

MINUTES

AUDIT COMMITTEE MEETING OF MARCH 11, 2020 Incline Village General Improvement District

The Audit Committee meeting of the of the Incline Village General Improvement District was called to order by Chairman Matthew Dent on Wednesday, March 11, 2020 at 4:30 p.m. at the Chateau located at 955 Fairway Boulevard, Incline Village, Nevada.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Trustees Sara Schmitz and Matthew Dent. Trustee Tim Callicrate arrived at 5:35 p.m.

Also present were Controller Lori Pommerenck.

Members of the public present were Steve Dolan, Margaret Martini, Denise Davis, and others.

(13 individuals in attendance at the start of the meeting which includes Trustees, Staff, and members of the public.)

B. PUBLIC COMMENTS*

Margaret Martini read from a written statement which is attached hereto.

Joy Gumz read from a written statement which was not submitted; In Fiscal Year 2018, the District received three grants from the Federal Emergency Management Agency (FEMA), and Nevada Department of Public Safety (DPS) of \$382,542.34 according to the US Federal government records. The grants were disaster grants for public assistance. FEMA awarded the grants to DPS on August 17, 2017. The subgrants were awarded by DPS to IVGID on March 14, 2018, March 15, 2018, and May 15, 2018; that is almost two years ago. In the District's audited financials of 2018/19, it was stated these grants have not been paid; that is true. She noted she has checked with DPS that payments have been made. However, IVGID has performed work on these two and maybe three projects. In July 2018, the District paid Cinderlite Trucking, FW Carson, Aubeck Construction for work on one of these projects. The description was wetlands roadway repairs on June 28 and June 29. The costs were charged to capital improvements, the fund was utilities, department was sewer, and division administration. The repairs were capitalized. It's unknown if this was later changed. She said she cannot provide details of the other projects in the three minutes. She asked what controls does the District have for managing grants. Why have no monies have been received from DPS? Part of managing projects is managing funds for those projects. Who is responsible for project management of these grants?

C. APPROVAL OF AGENDA (for possible action)

Chairman Dent asked for changes to the agenda, none were made; the agenda was approved as submitted.

D. GENERAL BUSINESS (for possible action)

- 1. Review, discuss, and possibly recommend to the Board of Trustees at their March 11, 2020 Board of Trustees meeting that the Audit Committee Chair be authorized to engage an independent expert for a sum not to exceed \$35,000 to give an opinion and/or guidance on the issues raised by the Board of Trustees regarding the District's 2019 CAFR as well as guidance on accounting policies used in the preparation of the District's financial statements. (Requesting Trustee: Audit Committee Chairman Matthew Dent)**

Chairman Dent stated we want to move forward with internal controls assessment and policies and procedures.

Trustee Schmitz stated she doesn't want this to be a massive re-do of an audit. We need to be careful and timely. It stated in the audit report that it relied on internal controls which she has asked for and have not been provided. Trustee Schmitz then referenced a September 30, 2016 invoice in the amount of \$4,200 from Eide Bailly for delivery of documentation. She said it was one thing she identified and want to specifically request from Eide Bailly this documentation. We have an issue where we paid the invoice and didn't receive the deliverable. Chairman Dent said he was in contact with Eide Bailly regarding these documents. He said the response he received was that there were only working papers and that they are willing to put a meeting together to talk about this. Trustee Schmitz said she hasn't been able to get anywhere with this. She requested the constituent communication related with this. She said these are probably on the list for the CAFR. She said we shouldn't pay for it a second time. Chairman Dent said he has had discussions with Eide Bailly who agreed to come to talk with us but we would have to pay them to come back. He stated we need to identify what we want to request of them. Trustee Schmitz said this raises different issues with internal control with paying invoices. If they never received the paperwork, they shouldn't have paid for it. Chairman Dent said the plan was to secure the funds, get this budgeted, and on a Board agenda. He said we can work together to determine the scope to make sure we aren't doing anything redundant. Trustee Schmitz said she wants to be fiscally responsible while getting to the bottom of this. Chairman Dent said if there are things that need correcting, we need to correct them. We need to stop

repetitive questions year after year. We need answers to put this behind us. Trustee Schmitz said she would like to, when we get to that point, bring it back to the Board for approval. Chairman Dent said any expenditures will be brought back to the Board and that we will take this to the Board with whatever constraints. At the Board meeting, we will say we are moving forward and we are all on the same page.

Interim District General Manager Winquest provided a point of clarification; he said he supports this, the questions do deserve answers and pointed out that it is an unbudgeted item and an unbudgeted expenditure.

Trustee Schmitz made a motion to take this initiative to the Board of Trustees for their approval at their meeting later today. Chairman Dent seconded the motion and called the question; the motion was unanimously passed.

2. **Review, discuss, and possibly recommend to the Board of Trustees at their March 11, 2020 Board of Trustees meeting that the Audit Committee Chair be authorized to engage an independent expert for a sum not to exceed \$45,000 to facilitate internal controls assessment including but not limited to recommend internal controls, policies and procedures for District businesses and functions, including auditing the accounting and reporting of the punch card utilization for the last 4 to 7 years. (Requesting Trustee: Audit Committee Chairman Matthew Dent)**

Chairman Dent said the goal of this item is to figure out where we are as a District. He spoke about public records request of internal controls. He said there is a policy or practice from twenty-five years ago so there was framework. This will set a base for Staff. There may be a department with great internal controls that could be used District wide. We don't know that but we can bring in an expert and there is no reason to re-invent the wheel. We can rely on that expertise instead of re-inventing the wheel.

Trustee Schmitz had questions about the thought process for this item. She referenced the last sentence regarding the punch cards. She said she is curious how that got put together. Chairman Dent said that perhaps that was intended for a prior agenda item. Chairman Dent said dealing with CAFR, this would be an easy thing to add to that.

Trustee Schmitz reported she has reached out to Washoe County who has been open and responsive. She asked if we could leverage something from Washoe County for internal controls.

Chairman Dent spoke about using a third party to facilitate an assessment and figure out where we are. Trustee Schmitz said we need to be financially responsible and tap into other resources. Chairman Dent said he isn't familiar with leading an assessment of an internal audit thus he would rather pass it off to an expert. If Trustee Schmitz thinks differently, Chairman Dent said he is all for it and if there is something we can use, it's a step in the right direction, but it doesn't tell us where we are. Trustee Schmitz recommended taking out the last clause and recommended earmarking and allocating funds to do this important activity. Interim District General Manager Winqest stated we can create a scope of work and said that this could be spread across funds. He clarified he has given direction to our interim Director of Finance to layout our internal controls. Staff is trying to get a head start on that before the new Director of Finance comes on board. Interim District General Manager Winqest reminded the Trustees that Staff is currently creating an operating budget and filing. He said we need to be clear on how much time it would take for Staff. Chairman Dent said the new Director of Finance will add value and that he may identify gaps. Trustee Schmitz said on both agenda items 1 and 2, we need to identify who will take the leadership role to carry this through as we haven't done that as that is an important next step. Chairman Dent asked Trustee Schmitz if she wanted him to nominate her for that task; he said he had reached out to a couple of consultants for this item and said he can work with Trustee Schmitz on these items. Trustee Schmitz said that was fine and just wanted someone to own it.

Trustee Schmitz made a motion to move this item forward to the Board of Trustees at their meeting later today and to remove this last clause from this item and add it to the previous General Business Item 1. Chairman Dent seconded the motion and called the question; the motion passed unanimously.

3. Review, discuss, and possibly approve revising Board Policy 15.1.0 to incorporate the Audit Committee Charter Document. (Requesting Trustee: Sara Schmitz)

Chairman Dent noted Audit Committee members received supplemental information regarding the audit charter. Trustee Schmitz said this sample audit charter came from Washoe County. She said the version being handed out is proposed to be a nearly finished version and that she would recommend removing Washoe County and that she is proposing a change regarding the make-up of the Audit Committee and changed it from 3 voting members to 5 voting members with one advisory member with staggering two-year terms and noted that we typically have three trustees on the Audit

Committee. Under the heading of responsibility, voting members are limited to two (2) two-year terms with possibility of extending. On page three of the charter document, Trustee Schmitz said she added three (3) bullet points under Item 4. Review Procedures. She said she spoke with the District's Director of Human Resources and about the submission of complaints. She said these complaints could come from community members or could come from staff members. She added three (3) more points – one - ensure anonymous method is in place for submitting complaints; two - ensure public and employees are informed on how they can submit a complaint; and three - keep the submitter informed on the process of the situation unless its submitted anonymously. Trustee Schmitz continued by suggesting that review and track complaints be added and do so by implementing a method of tracking and put together a flow chart on how it will be handled. Trustee Schmitz said the District's Director of Human Resources shared the open message to employees for this type of process; Trustee Schmitz said this needs to be updated. Trustee Schmitz stated the message explains the Audit Committee complaints go to the District Clerk but it should go to the Audit Committee Chair. Chairman Dent said those are good recommendations and agreed the complaint should come to Audit Committee versus going to Staff. Trustee Schmitz said her hope it is to fine tune this and then the Audit Committee can bring it to the Board for approval. She will put together a flowchart and a how to track complaints as well as interact with IT Staff to set-up of how complaints can be submitted.

Trustee Schmitz referenced Statement of Accounting Standards on page 4 and said Auditors are supposed to communicate with each other and that it is a supplemental document.

Chairman Dent asked Trustee Schmitz about her proposal of voting members and asked if this came from Washoe County. Trustee Schmitz explained the Washoe County model and noted one voting member shall be appointed by the Board of Washoe County Commissioners and one member serves from the Washoe County Commission. She said she made the suggested change to three (3) Board members. She wonders if there are other Board members that aren't non-voting. Chairman Dent said he saw a flyer seeking input from the members of the public to be on the Audit Committee. Chairman Dent asked Trustee Schmitz on the reasoning of why or why not make the public members voting members. Trustee Schmitz said we want public members involved. She stated two at-large members are appointed by Washoe County's Board of Commissioners. She said regardless if they are voting or non-voting, their involvement is important. She said they might feel more committed if they are voting members. Chairman Dent agreed and said involving a public member is a good thing. Trustee Schmitz said she can take this back to Washoe County and ask

clarifying questions. Chairman Dent said he would like more clarification and then present a draft for review at the Audit Committee before moving forward. Trustee Schmitz said she will share it with the District Clerk to share with all the Board members. Trustee Schmitz then reviewed item 13. She said she recommended the Treasurer and Board Chair reviews all invoices to understand billing activities. She noted this recommendation came after this material was distributed. Chairman Dent recommend she update it and provide to the District Clerk for review at the next meeting. Interim District General Manager Winqest stated Washoe County is not a general improvement district and that he would suggest benchmarking to other general improvement districts. The Audit Committee Members and Interim District General Manager then discussed recruitment and seeking members with financial or accounting experience in Nevada. Interim District General Manager Winqest stated it needs to be a transparent recruitment process that seeks public members who are neutral and productive.

4. Review, discuss, and possibly provide direction to the Interim General Manager regarding the breakdown of internal controls as it relates to purchase/task orders issues by Staff (Requesting Trustee: Sara Schmitz)

Trustee Schmitz introduced the item and said we have identified situations whether its communication or can't find the deliverable. She said the discussion is how does the Interim District General Manager confront these challenges while we are absent of internal controls. Interim District General Manager Winqest said in regards to this particular example, he said it was a contract approved by the Board, then the dollar amount was found out, it was more than what was printed under the General Manager's authority; it should have been communicated to the Board Chair regarding the increased amount. Interim District General Manager Winqest said communication is key as this could have been avoided with communication. He said don't sign-off if you don't have a deliverable or a description of what we signed-off on. There are protocols and Staff will be reviewing spending authority and routing. He said we will identify that these things have happened and take the best path forward to make sure these things don't happen again. He will handle it with communication and ensure the Staff knows how to handle it.

Chairman Dent said there are other instances such as in the Utility Fund and that the District needs an internal control audit. Trustee Schmitz said there needs to be clear expectations. She said there was only one signature on Eide Bailly invoice and perhaps there needs to be two. Interim District General Manager Winqest explained the approval processes and explained how Staff has spending limits and authority but we can further identify those controls. Interim District General Manager Winqest stated

there is a process in place. He said he receives a lot of purchase orders but doesn't approve them until he gets information whether it was an identified budgeted project. He said there is oversight and sometimes it gets missed. Trustee Schmitz said even if you have two signatures, it needs to confirm if the scope of work got completed and did we receive the deliverable. Interim District General Manager Winquest said we will work with new Director of Finance. Chairman Dent asked if we need to have a training program for Staff. Interim District General Manager Winquest said he will meet with the Director of Finance next week to discuss review of internal controls. Interim District General Manager Winquest stated there wasn't enough communication over the past few years and this can be resolved.

5. Set the date/time for the next Audit Committee Meeting (Requesting Trustee: Audit Committee Chairman Matthew Dent)

The Audit Committee members discussed the possibility of having the next Audit Committee meeting on March 25, 2020 and the due date for agenda items for the packet.

Trustee Schmitz said if these items are approved by Trustees, we can move quickly and bring those items back. Chairman Dent said he doesn't need to bring back the scope of work. Interim District General Manager Winquest reminded the Audit Committee members that it's going to be a long meeting tonight and on March 25 but he is available if they want to schedule it on March 25. The Audit Committee members and Interim District General Manager Winquest discussed the timing of the packet compilation. Trustee Schmitz said she would like to move the charter along but lead time for Board packets are a challenge. Chairman Dent recommended bringing a first draft and noted that it doesn't have to be perfect. Trustee Schmitz requested to review Audit Committee Charter on March 25. Chairman Dent said the next Audit Committee meeting will be at 5 p.m. on March 25, 2020.

E. APPROVAL OF THE MEETING MINUTES (for possible action)

1. Audit Committee Meeting of February 12, 2020.

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

F. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.

Joy Gumz said the idea was to look to Washoe County and other governments. She said the problem is IVGID has two golf courses, retail shops, ski resort, and restaurants. Washoe County doesn't have these. These are cash type venues. She said don't always look at government for internal control rather look at private for good private controls. The management needs to understand internal controls. She said she has worked in that field. Please look at the private sector. Washoe County doesn't have the same services.

Mike Able said IVGID runs a bunch of businesses. He said we selected a finance manager with government experience. It doesn't have to be a factor. He said we are running businesses. We could ask Mt. Rose about their internal controls. There is a plethora of businesses who can provide internal controls. He said he wanted to amplify what Ms. Gumz said and noted that it IVGID's policy is "we have always done it this way".

Trustee Callicrate arrived at 5:35 p.m.

Mark Alexander apologized for being late and that he arrived during the discussion of processes and training. He said he didn't hear any consequences. He said we can do all training we want to do, but without consequences, there is no enforcement. There needs to be consequences and actions if you deviate. If they deviate, there should be consequences. They need to be firm and enforceable to show the employees.

G. ADJOURNMENT

The meeting was adjourned at 5:40 p.m.

Respectfully submitted,

Misty A. Moga
Acting District Clerk

Attachments*:

**In accordance with NRS 241.035.1(d), the following attachments are included but have neither been fact checked or verified by the District and are solely the thoughts, opinions, statements, etc. of the author as identified below.*

Submitted by Margaret Martini (1 page): IVGID 3-11-20 Audit Committee Meeting
Public Comments By Margaret Martini – To be included with the Meeting
Minutes

IVGID 3-11-20 Audit Committee Meeting Public Comments

By Margaret Martini – To be included with the Meeting Minutes

I commend Audit Committee Chair Dent, Treasurer Schmitz and Board Chair Callicrate for developing an expanded Charter that actually undertakes the responsible oversight required of an Audit Committee. I encourage you to take immediate action to reach out to members of our community with accounting and financial backgrounds to serve on the Committee. I also support the engagement of independent experts to provide resources to the Committee to ensure that we have an effective framework of internal controls and our financial statements comply with Nevada law and generally accepted accounting principles. We also need a whistleblower policy for staff and citizens. To ensure confidentiality and timely investigations, this committee should have the authority to engage an independent attorney and other experts.

As we do not employ an internal auditor, I highly recommend that you engage a consultant to perform these functions once we have established internal control policies and procedures. I believe this function should always be performed by a consultant to ensure complete independence as well as allowing you to budget and prioritize the annual scope of work.

Our citizens are relying upon you to restore the public trust. I am hopeful that today's meeting is the first step forward.