

## MEMORANDUM

**TO:** Board of Trustees

**THROUGH:** Indra S. Winqest  
Interim General Manager

**FROM:** Paul Navazio  
Director of Finance

**SUBJECT:** Review, discuss and possibly authorize the Interim District General Manager to enter into a professional services contract with Moss Adams LLP to perform a construction project and engineering consultant contract audit on a sampling of projects, in the amount not to exceed \$38,000.

### **STRATEGIC**

**PLAN REFERENCE(S):** Long Range Principle #2 Finance

**DATE:** June 1, 2020

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### **I. RECOMMENDATION**

That the Board of Trustees make a motion to authorize the Interim District General Manager to enter into a professional services contract with Moss Adams LLP to perform a construction project and engineering consultant contract audit on a sampling of projects, in the amount not to exceed \$38,000.

The scope of work should include, at a minimum, to identify industry best practices and recommendations for improvements and the creation or improvements to related internal controls, if deficiencies are found.

### **II. BACKGROUND**

The District's Five-Year Capital Improvement Plan contemplates investment in excess of \$53 million to support priority capital projects as well as repair and replacement of existing District assets over the five-year planning horizon. The CIP includes several projects identified by the Board as critical priorities, including several multi-year projects with total individual project costs in the millions dollars. Moreover, the scope of several of these projects requires that District staff rely on

Review, discuss and possibly direct the Interim District General Manager to enter into a professional services contract with Moss Adams LLP to perform a construction project and engineering consultant contract audit on a sampling of projects, in the amount not to exceed \$38,000.

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outside engineering, design and construction contracts to properly evaluate, plan and deliver these projects.

At the same time, Board members, constituents and District management have raised concerns and questions relative to the District's internal controls and practices, in particular as they relate to contract procurement, administration and management. In response, the Board has directed the Interim General Manager and Finance Director to seek outside assistance to review policies, procedures and internal controls related to management of professional services consulting and construction contracts to ensure and promote transparency and accountability related to capital program investments. Specifically, at its meeting of May 6, 2020, the Board supported a recommendation brought forward by Trustee Schmitz directing staff to develop a scope of work and cost estimate for a contract management review.

Staff is recommending that the Interim General Manager be authorized to execute a professional services contract with Moss Adams LLP for this purpose in an amount not-to-exceed \$38,000, and includes fees for services not exceeding \$36,000 plus expenses not exceeding 5% of fees. While this contract falls within the Interim General Manager's contract authority, staff is seeking Board concurrence and approval to proceed with the identified scope of work, as follows.

The scope of work contemplates review of up to five specific contracts, to include identified samples of recent consulting and construction contracts. Staff proposes to initially identify three contracts for review, with additional projects to be identified based on the issues and findings identified in the first phase of the review. The three contracts preliminarily identified for initial review under the proposed scope of work include: PICA Corporation (awarded 4/30/14) HDR (awarded 4/30/14, and amended 2/25/15) engineering consulting contracts related to the Effluent Pipeline Project as well as the Diamond Peak Culvert (Q&D Construction- CMAR Contract awarded 5/23//18). Additional contracts under consideration include the Wastewater Resource Recovery Facility Aeration project (Jacobs Engineering).

### **III. BID RESULTS**

The proposed contract falls below the threshold requiring competitive bidding. However, staff reviewed proposals received by selected audit firms and is recommending proceeding with a contract based on the proposal received from Moss Adams LLP.

Review, discuss and possibly direct the Interim District General Manager to enter into a professional services contract with Moss Adams LLP to perform a construction project and engineering consultant contract audit on a sampling of projects, in the amount not to exceed \$38,000.

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#### **IV. FINANCIAL IMPACT AND BUDGET**

The cost of proposed contract is a not-to-exceed amount of \$38,000, consisting for fees for service (not-to-exceed \$36,000) plus expenses (not to exceed 5% of fees). Funding to support this contract is provided through General Fund appropriations included in the Final Budget for FY2020-21 approved by the Board of Trustees at their meeting of May 27,2020.

By developing and/or refining construction project internal controls, the District is anticipates both improved value as well as potential cost savings from future capital improvement project investments, through application of consistent contract management aligned with industry best practices.

#### **V. ALTERNATIVES**

- (1) Not perform this request at all.
- (2) Undertake this request at a future date.
- (3) Defer the review of contract management practices to broader review of District-wide internal controls.

#### **VI. STRATEGIC PLAN REFERENCE(S)**

Long Range Principle #2 – Finance

Enhanced internal controls will provide staff with tools to ensure consistent fiscal oversight and management of construction projects.

#### **VIII. BUSINESS IMPACT**

The targeted scope of the proposed contract will allow for an expedited review of the District's contract management practices while minimizing adverse impacts on current priority projects. If deficiencies are identified, then policies and/or procedures can be developed or refined as needed allowing for future construction projects to benefit from enhanced internal controls.

Attachments:

- 1) Moss Adams LLP - Proposal and Firm Qualifications
- 2) Master Services Agreement
- 3) Master Service Agreement – Statement of Work





# OPPORTUNITY RISING

*CONSTRUCTION ADVISORY WORK PLAN FOR*

## **INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT**

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**Mark Steranka, Partner**

**Olga A. Darlington, Partner**

**Stephen Bacchetti, Senior Manager**

Moss Adams LLP  
5415 E. High Street, Suite 350  
Phoenix, AZ 85054  
(480) 444-3424



MOSSADAMS

Dear Mr. Winqest and Navazio:

Thank you for the opportunity to present our qualifications to provide construction advisory services for the Incline Village General Improvement District (the District). We understand you're seeking a service provider with a depth of functional skills necessary to assess and report on the performance of your capital program.

Our team has significant experience performing capital program assessments, performance audits, and construction cost and compliance audits. With our deep government and construction industry specific knowledge, we can consistently provide the District with the highest quality service. Our approach is collaborative, and we'll include your team in every step of the construction audit process to successfully deliver value-added results. We've audited numerous large-scale public and private construction projects valued between \$2 million and \$3.5 billion.

Additionally, our professionals have outstanding credentials, capabilities, and knowledge of the construction industry along with the skills and capabilities of certified construction auditors (CCAs) needed for the engagement. Our combined professional construction expertise will be of specific value to the District. We bring the requisite understanding and knowledge of construction management methods, contracting strategies, and project controls to conduct successful capital program assessments. This team—consisting of skilled professionals and performance auditors—has completed multiple construction program assessments and is familiar with different types of construction contracts and project delivery methodologies. We've worked directly with general contractors and/or construction managers on issues arising out of schedule delays, construction quality, change orders, excess charges, and project progress reporting.

Our performance as construction auditors and business advisors will demonstrate our commitment to high-quality services that are consistent with our proven track record. We look forward to helping you achieve your construction audit goals. If you have questions regarding this work plan, please don't hesitate to contact us.

Sincerely,

**Mark Steranka**  
Partner  
(206) 302-6409  
[mark.steranka@mossadams.com](mailto:mark.steranka@mossadams.com)

**Olga A. Darlington**  
Partner  
(425) 551-5712  
[olga.darlington@mossadams.com](mailto:olga.darlington@mossadams.com)

**Stephen Bacchetti, CPA, CIA, CCA**  
Senior Manager  
(503) 323-7385  
[stephen.bacchetti@mossadams.com](mailto:stephen.bacchetti@mossadams.com)

May 1, 2020

**Mr. Indra Winqest**  
*Interim District General  
Manager*

**Mr. Paul Navazio**  
*Director of Finance*

**Incline Village General  
Improvement**  
893 Southwood Blvd  
Incline Village, NV 89451

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## Executive Summary

As a large, national professional services firm, we offer our clients a significant benefit: we're large enough to have the resources you need, yet small enough to provide the personal, timely service you desire. Clients who've chosen our construction audit solutions have told us that they've benefited from the extensive industry experience of our engagement teams, regional professionals, staff continuity, and high level of senior team member attention.

### FIRM BACKGROUND

Moss Adams is a fully integrated professional services firm dedicated to growing, managing, and protecting prosperity. With over 3,400 professionals across more than 25 locations in the market capitals of the West and beyond, we work with the world's most innovative, dynamic, and promising clients and markets. Through a full spectrum of accounting, consulting, and wealth management services, we bring the deep industry specialization and inspired thinking our mid-market clients seek.

Since we put down roots in the Pacific Northwest more than 100 years ago, we've steadily expanded to serve clients not only in the west, but also across the nation and globally. Our full range of services includes accounting (assurance and tax), consulting (IT, strategy & operations, transactions, and specialty), as well as individual and institutional wealth management.

Moss Adams is one of the 15 largest US accounting and consulting firms and a founding member of Praxity, a global alliance of independent accounting firms providing clients with local expertise in the major markets of North America, South America, Europe, and Asia.

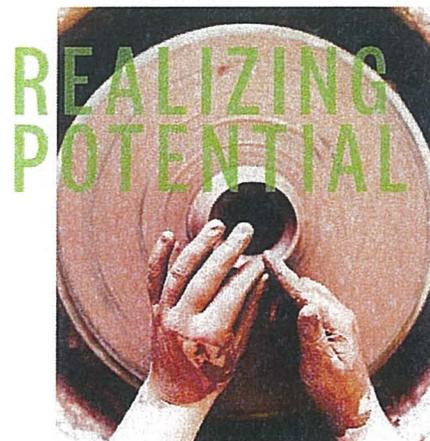
### SERVICE PHILOSOPHY

Our commitment to being highly responsive to our clients is a fundamental part of our service philosophy. Open and timely communication is key to successful relationships, and our clients contact us throughout the year to help them. We offer continual access to senior-level team members who have the knowledge and experience to consistently meet our clients' needs.

### FIRM EXPERIENCE

#### CONSTRUCTION ADVISORY PRACTICE

Our team has significant experience performing capital program assessments, performance audits, and construction cost and compliance audits. We've audited numerous large-scale public and private construction projects valued between \$2 million and \$3.5 billion, including many governmental entity construction projects. We complete many construction projects each year, ranging from full program reviews to close-out audits. In these engagements, we've acted as the principal auditor.



We bring the requisite understanding and knowledge of construction management methods, contracting strategies, and project controls to conduct successful construction audits. We understand site requirements as well as local and state regulation and compliance issues. Our team includes professionals who have outstanding credentials, capabilities, and knowledge of the construction industry along with the skills and capabilities of certified construction auditors and certified public accountants needed for the engagement. Our combined professional accounting and construction expertise will be of specific value to the District.

A sample of our current and past construction audit clients includes the following:

- Banner Health System
- Beaverton School District
- Beverly Hills Unified School District
- Central Washington Hospital
- City of Arvada
- City of Los Angeles
- City of Phoenix
- Community Memorial Health System
- Cottage Health System
- Coshatta Tribe of Louisiana
- Dignity Health
- Dry Creek Rancheria Band of Pomo Indians
- East Side Union High School District
- El Monte Union High School District
- Episcopal Senior Communities
- Good Samaritan Hospital
- Harvey Mudd College
- Hoag Hospital
- Kaiser Permanente
- Lodi Memorial Hospital
- Long Beach Community College District
- Los Angeles Unified School District
- Maricopa County
- Maricopa County Community College District
- Maricopa Integrated Health Systems
- Marin General Hospital
- MultiCare Health System
- Newhall School District
- Oak Valley Hospital District
- Parkland Health and Hospital System
- Phoenix Children’s Hospital
- Presbyterian Healthcare Services
- Puyallup Tribe of Indians
- Salinas Valley Memorial Healthcare System
- Salt Lake Airport Authority
- San Francisco State University
- San Jose Unified School District
- Scripps College
- Security Properties
- Soka University
- St. Charles Health System
- Stanford Hospital and Clinics
- Sutter Health
- Swedish Health Services
- Sweetwater Union High School District
- University of Alaska
- University of Chicago
- University of Hawaii
- University of Oregon
- University of Southern California
- University of Texas System
- West Contra Costa Unified School District
- Wyoming Medical Center
- Yuma Regional Medical Center

Construction audit services are only as effective as the people performing the services, which is why the partners and managers at Moss Adams play such a significant role in our engagements. The partners and managers serving the District will work closely with you and be highly involved in all phases of the

relationship, from planning and preparation to fieldwork and review. Our senior-level involvement will provide efficient job management, close supervision, timely resolution of issues, and expeditious reviews of work performed. For these reasons, we're confident our construction audit team is the best fit for the District.

## Testimonials

### Port of Tacoma

*"We brought in Moss Adams for capital program assessment services. The team we worked with had the experience and expertise our projects needed and an understanding of the complexities that are unique to working with a public entity. They were very thorough and efficient, providing a lot of value for us. Based on their background and the breadth of their experience, they were able to suggest ideas, industry standards and best practices that we can implement."*

### Jewish Homes of San Francisco

*"We engaged with Moss Adams construction audit team in the early stages of a \$130 million project to build a 200-unit senior care facility. Even with limited documentation and response from the contractor, Moss Adams was able to identify a significant area of risk right away. Their audit report was well received by management and the board committee overseeing the construction project. Ultimately, the identification of the problem and their proactive approach helped contain the risk and contributed to a change in contractor. We see tremendous value in the services Moss Adams provides."*

### Heritage Hotels and Resorts

*"Moss Adams performed a construction audit on a very large project that went over budget and beyond scope. They helped save us a substantial amount of money and saved our relationship with our general contractor. The team went above and beyond, making themselves available, ensuring we had a positive outcome and confidence in the services they provided. We continue to work with Moss Adams today."*

### Beaverton School District

*"Moss Adams has provided value for us on multiple projects, delivering significant cost savings. We have enjoyed working with Moss Adams and highly recommend them."*

### Sweetwater Union High School

*"I consider the Moss Adams Performance Audits the best consultant reports I have come across in my 40 years of governmental experience. The product Moss Adams delivers is excellent –well documented, thorough, easy to understand, and consistently of the highest quality. The consultants at Moss Adams are honest and direct –taking the mystery out of the performance audit process."*

## Government Experience

You'll receive more effective services from our specialized professionals who have a deep understanding of the pressures you face, like the need for greater efficiency under tight budget constraints. Our significant experience working with tax-exempt organizations means our professionals are more likely to help you spot potential problems, create effective solutions, and understand the industry-specific impacts of today's major disruptors like cybersecurity and globalization, as well as the constant drive to innovate.

Moss Adams has a group of specialized practices with nearly 300 professionals who specialize in serving tax-exempt entities including governments, higher education institutions, not-for-profits, tribal and gaming

entities, energy and utility entities, and federal contractors. This firmwide team currently serves over 1,500 clients throughout the United States and provided more than 299,000 hours of service to those clients in 2019.

### **Internal Audit Experience**

Internal audit services represent a core component of our firm's Government Services Practice. Our comprehensive, dedicated internal audit team has significant experience conducting audits and assessments related to compliance, finance, fraud, governance, management, operations, performance, policies and procedures, and technology. We serve local governments, tribes, higher education, and not-for-profits. We have earned recognition and an outstanding reputation for our services based on a solid track record and discriminating analysis.

Our internal audit professionals come from government, private industry, and public accounting, and work exclusively on internal and performance audit engagements. Because of the extensive audits we conduct for government clients, we have developed a series of proven practice components including investigative methodologies, engagement oversight and supervision, document management, fieldwork, communications and reporting protocols/practices, and risk assessment frameworks.

Our internal audit team consists of over 30 professionals, including partners, directors, senior managers, managers, seniors, and staff, all of which specialize in delivering internal audit services. Our internal audit professionals have a deep understanding of local government policies, processes, and procedures. They offer relevant certifications to VTA's internal audit services, such as CIA, CPA, CFE, PMP, CISA, and CCA, and our engagement team includes members of the IIA. Our training requirements for professional audit and consulting staff further make sure that our knowledge remains current.

# Capital Program Assessment

## Methodology

Our approach to performing construction and capital program risk assessments encompasses planning, on-site fieldwork, interviews, documentation of evidence to support findings, analysis of options, recommendations, and a high-impact report that typically includes implementation plans. Our typical project approach is conducted through the following four major phases: 1. Start-Up and Management, 2. Fact Finding, 3. Analysis, and 4. Reporting. The specific tasks that comprise each phase of our proposed work plan are described in detail below. Based on our understanding of your needs, we will conduct the following procedures on ten specific contracts:

- Contract administration management and controls
- Bid and procurement management and controls
- Change order and scope management and controls application
- Expenditure management and controls
- Design and construction budget management and controls
- Project close-out controls

Our approach to evaluating contracting processes and controls focuses on evaluating the controls that exist to determine whether procurement activities are performed in your best interest and with adequate documentation. Source selection methods include the following:

- Method of procurement and contracting fits the nature of the construction project
- Competitive bidding practices for procurement of contractors and subcontractors are in place
- Documentation requirements for procurement activities are established
- Proper oversight and approval of contracts granted and work pricing is completed by the owner
- Work to be performed is confirmed by the project manager, cost estimates are reviewed, and there's an approval process for contractor and subcontractor selection
- Best-practice construction controls are covered within construction contracts
- Contract approval is limited to a list of authorized individuals

The specific tasks that comprise each phase of our proposed work plan are described in detail below.

### PHASE 1

#### START-UP AND MANAGEMENT

At project initiation, we will confirm the District's expectations, project timing, deliverables, and outcomes.

##### *Initiate Project*

We will conduct a kickoff meeting with the District to confirm expectations and discuss overall project scope, logistics, deliverables, timing, and progress reporting requirements. We will clarify the responsibilities of Moss Adams and the District personnel (e.g., providing requested documents and

scheduling interviews), timing of specific project activities, and format of each required deliverable. Also, we will establish an interview list and finalize our approach to each phase of the project.

#### *Perform Project Management*

We will conduct rigorous project management activities for the duration of the project. These activities will include providing guidance to the consulting team; coordinating with the District; working issues and solving problems; monitoring progress against the approved work plan; and developing, submitting, and discussing progress reports with the District. Progress reports will be provided at the frequency requested by the District.

#### *Provide Quality Assurance*

We believe it's important to recognize the need for quality by delivering excellent client service and engagement oversight. A partner will review all deliverables before submittal to the District.

#### **DELIVERABLES**



- Interview list
- Progress reports

## **PHASE 2**

### **FACT FINDING**

This phase encompasses fieldwork, including document review, interviews, walk-throughs, and an optional online survey, as well as the development of preliminary findings based on the results of fieldwork.

#### *Review Documents*

We will gather relevant documentation for review. Examples of documentation we may request include the following:

- Accounting policies, guidelines, reporting tools, and accounting system documentation
- Master plan and construction project list
- Planning documents
- Procurement bid and award process documentation (including proposals of successful and unsuccessful bidders and bid recaps).
- Job cost and accounting reports and capabilities
- Program-wide schedules and reports (baseline vs. actual)
- Design and construction contracts and or planned contracting delivery methods
- Guidelines regarding reimbursable expenses and allowable costs
- Professional services contracts (architects and engineers (A/E))
- Construction, architect, and engineering payment applications and invoices
- Records necessary to evaluate and verify direct and indirect costs
- Change order log and sampling of change orders
- Close-out records and reports.

- Approvals for use of allowances and contingencies.
- Key stakeholder reporting

The objectives of documentation review include gaining a sufficient understanding of your capital program environment, further defining issues and surrounding facts, and gaining insights to prepare for interviews.

*Conduct Interviews and Walk-Throughs*

We will conduct interviews with the District leadership to identify areas of greatest risk and concern and gain an understanding of current controls, processes, vulnerabilities, threats, likelihoods, and impacts. We will work with the District to schedule interviews. We will conduct interviews with representatives of all relevant the District departments.

As part of these interviews, we can also perform process walk-throughs. Walk-throughs are a roving interview whereby we will learn about the details of relevant processes, compliance, performance, and finance management/reporting. Walk-throughs will also allow us to make initial observations to identify important questions and issues that require follow up. Once completed, each walk-through will provide an effective means to gain further depth of understanding of fraud risks.

*Present Preliminary Findings*

We will present preliminary findings to the District. The purpose of sharing preliminary findings is to verify facts to make sure the basis for each finding is accurate and valid and to avoid surprises by giving the District a chance to preview findings. Findings will form the basis for analysis of opportunities for improvement.

**DELIVERABLE**

- Document request list



**PHASE 3**

**ANALYSIS**

This phase will determine the significance of issues identified and how best to address them.

Key business and control risks will be defined in an assessment framework with the following elements:

- Control objectives
- Findings (opportunities for improvement)
- Recommendations
- Impact of occurrence

*Prepare Draft Findings and Recommendations*

We will update findings and add draft recommendations based on our analysis. Recommendations will focus on implementing appropriate actions aimed at reducing risks and strengthening controls.

*Present Draft Findings and Recommendations*

We will present draft findings and recommendations to the District. The purpose of sharing draft findings and recommendations is to test the practicality of recommendations and, again, avoid surprises.

**DELIVERABLE**

- Draft findings and recommendations



**PHASE 4**

**REPORTING**

This phase covers the production of deliverables, including draft and final reports and recommended audit plan to optimize the construction project and capital program performance throughout the duration of the program.

*Submit Draft Report*

We will package our work in a draft report for the District’s review. The draft report will include the necessary level of detail to allow the document to stand on its own and contain the following sections:

- Executive summary
- Study objectives, scope, and methodology
- Findings and recommendations

*Submit Final Report*

Based on feedback from the District, we will revise the draft report and submit our final report.

*Present Final Report*

We will present the final report to the District and prepare a presentation to facilitate these briefings.

**DELIVERABLE**

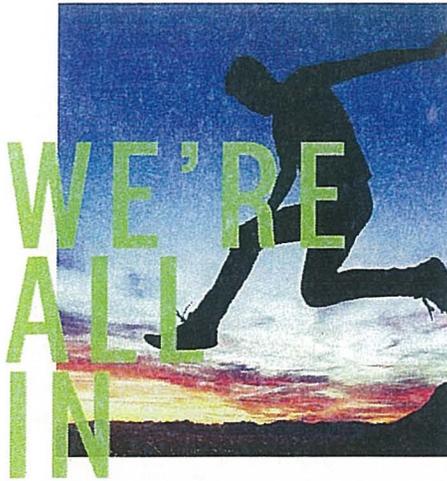
- Draft and final risk assessment report



**Timeline**

Assessment of key business and control risks of this nature typically take approximately one to two months to complete from project startup and requested documentation receipt to delivery of the final report. The overall timing will depend on the availability of key District personnel and the general timing of this work in relation to other relevant work impacting the District. We will work with the District to develop a mutually acceptable project schedule.

# Project Staffing



Working with the right team of professionals makes all the difference to your engagement. The team members we've thoughtfully selected to serve your specific needs have years of experience conducting construction audits and serving higher education institutions. But more than that, you'll find they bring an optimistic perspective focused on helping the District explore and embrace opportunities for improvement. Your Moss Adams team will personally engage with your team and bring a high level of energy to the engagement.

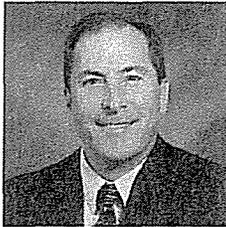
Our proposed team composition reflects a robust combination of quality assurance, project management, contract analysis, and internal controls assignments that leverage the specialized expertise of our team members. As your engagement partner, Mark Steranka will provide oversight

and quality assurance across all facets of the engagement. Halie Garcia will serve as quality control reviewer. Stephen Bacchetti will lead the construction audit services as project manager, supported by a talented team that includes consultants specially dedicated to performing construction contract audit services. In this way, we'll leverage the expertise of our team members to provide maximum insights and value to the District.

Our proposed team composition is provided below. Each team member is highly qualified, as demonstrated by the detailed resumes listed on the following pages.

Team Member	Firm Role	Project Role
Mark Steranka	Partner	Engagement Partner
Olga A. Darlington, CPA	Partner	Engagement Quality Control Reviewer
Stephen Bacchetti, CPA, CIA, CCA	Senior Manager	Project Manager
Tammy Lohr, CFE	Manager	Audit Supervisor
Jordan Wahl	Senior	Audit Support

**Mark Steranka**, *Partner, National Performance Audit Practice Leader*



*Role: Engagement  
Partner*

#### **Professional Experience**

Mark has over 30 years of experience providing internal, performance, contract compliance, and construction audit services. As the leader of the firm's national internal and performance audit service team, he's worked extensively with organizations in a variety of industries, including health care, government, tribes, and not-for-profit entities, to evaluate risks, operational efficiency and effectiveness, internal controls, and compliance with requirements. Mark regularly utilizes his depth of experience to deliver oversight and quality assurance to our construction audit clients, helping them identify cost savings and improve controls, processes, and reporting.

In addition to his team leadership, project management, and quality assurance roles, Mark brings significant experience reporting to councils, boards, commissions, committees, and executive management, and working with citizen committees and stakeholder groups. He's also well versed in designing and facilitating meetings, focus groups, and customer surveys.

#### **Professional Affiliations**

- Member, Institute of Internal Auditors
- Member, American Society of Public Administration

#### **Education**

- Executive Management Program, University of Washington
- BS, mechanical engineering, University of Notre Dame

**Olga A. Darlington, CPA, Partner**



*Role: Engagement  
Quality Control  
Reviewer*

**Professional Experience**

Olga has practiced public accounting since 1997 including five years with Deloitte & Touche. She focuses on providing accounting and advisory solutions to clients in the energy, utility, not-for-profit, and government (enterprise funds) industries. Throughout her career, Olga has performed many audits, consulting projects, and agreed-upon procedures engagements and has extensive experience directing all phases of audits and other types of assurance engagements, including compliance testing, fieldwork management, and report preparation. She is recognized for her technical expertise. Olga is a member of the American Institute of Certified Public Accountants and the Washington Society of Certified Public Accountants. Olga facilitates internal and external training on accounting and auditing topic, and is a regular presenter on accounting and operational topics. She also chairs the firm's technical committee on government topics.

Olga's clients include the following organizations:

- Port of Seattle
- Los Angeles World Airports & Los Angeles International Airport
- Port of Everett
- Port of Long Beach

**Professional Affiliations**

- Member, American Institute of Certified Public Accountants
- Member, Washington Society of Certified Public Accountants
- Member and former Chair, Governmental Accounting and Auditing Committee, Washington Society of Certified Public Accountants
- Special Technical Reviewer, Government Finance Officers Association

**Education**

- BS, accounting, Central Washington University

**Stephen Bacchetti, CPA, CIA, CCA, Senior Manager**



*Role: Project  
Manager*

**Professional Experience**

Stephen has over eight years of accounting, auditing, and financial reporting experience. He specializes in providing construction and performance audits for construction and capital improvement projects. He has had an active role in planning, managing, and delivering on multiple audits that have resulted in significant control and reporting improvements and cost savings. He works closely with universities, K–12 school bond programs, hospitals, tribes, developers, and federal contractors on construction and capital improvement projects ranging from millions to billions of dollars. He remains committed to delivering work that gives these projects the best possible chance of meeting their objectives and stakeholder expectations.

In addition to his construction auditing and internal controls experience, Stephen also has a background in International Financial Reporting Standards (IFRS) in the transportation industry.

**Professional Affiliations**

- Member, American Institute of Certified Public Accountants
- Member, California Society of Certified Public Accountants
- Member, Institute of Internal Auditors

**Education**

- BS, business administration and accounting, California Polytechnic University, Pomona

**Tammy Lohr, CFE, Manager**



*Role: Audit Supervisor*

**Professional Experience**

Tammy specializes in assessing organizational performance, developing strategies, assessing system and resource needs, and streamlining processes to improve operations for government and not-for-profit organizations. She focuses on key elements including conducting interviews; reviewing and analyzing documents; developing findings and recommendations; and preparing and presenting reports and deliverables that meet professional audit and reporting standards, as well as her clients' expectations. By using a collaborative approach to working with her clients, Tammy delivers projects and reports that are attuned to each client's unique operating environment and optimize organizational performance. Prior to joining Moss Adams, she worked as a performance auditor for the Washington State Auditor's Office.

**Professional Affiliations**

- Member, International City and County Manager's Association (ICMA)
- Member, Society for Human Resources Management (SHRM)
- Member, Institute of Internal Auditors (IIA)
- Member, Association of Certified Fraud Examiners (ACFE)

**Education**

- MPA, Daniel J. Evans School of Public Policy and Governance, University of Washington
- BA, public health, University of Washington

**Jordan Wahl, Senior**



*Role: Audit Support*

**Professional Experience**

Jordan assists in conducting construction audits for the education, health care, infrastructure, and commercial real estate industries. He also helps provide clients in a diverse group of industries with a variety of federal contract compliance services. Prior to joining Moss Adams, Jordan interned with Reser's Fine Foods, where he assisted with accounting procedures and performed accounts payable analysis.

**Professional Affiliations**

- Member, Institute of Internal Auditors

**Education**

- BS, business management (emphasis in finance), Brigham Young University–Idaho

## Professional Fees

For our clients, it's about more than the dollars you pay at the end of the day; it's about value. Consider both the tangible and intangible benefits of working with us. You'll get solid and timely deliverables. But more than that, the experience you'll have working with forward-thinking, industry-specialized professionals who work side by side with you to explore new possibilities is where you'll see the value. Invest in your future prosperity and experience a different style of service with us.

We're committed to estimates that are fair and commensurate with the experience and level of service described in this work plan. Expenses will be billed separately at cost not to exceed 5% of the fees.

Service Description	Project Name(s)	Price	Quantity	Total (Not-to Exceed)
Capital Program Assessment	Projects to be determined at project commencement.	\$8,000	5	\$40,000
<b>New Client Discount (10%)</b>				<b>(\$4,000)</b>
<b>Total</b>				<b>\$36,000</b>

### CLIENT ACCEPTANCE

This proposal and fee arrangement are subject to the successful completion of our standard new client acceptance procedures. If we're awarded this engagement, we'll complete our procedures as quickly as possible. Assuming no significant matters come to our attention during our client acceptance process, we'll submit an engagement letter to the District following notification of your acceptance.



**THANK  
YOU**

*Assurance, tax, and consulting offered through Moss Adams LLP. Investment advisory services offered through Moss Adams Wealth Advisors LLC. Investment banking offered through Moss Adams Capital LLC.*

## MASTER SERVICES AGREEMENT

This Master Services Agreement (the "MSA" or "Agreement") represents the terms and conditions relating to services to be provided to the individual(s) and/or entity(ies) listed below (individually and collectively, "you," "your," and "Client") by Moss Adams LLP ("Moss Adams," "we," "us," and "our"). Moss Adams and Client may be individually referred to as a "Party" and collectively as the "Parties."

Incline Village General Improvement District

### 1. Agreement Scope

- a. The terms and conditions of this Agreement shall apply to the services (excluding attest services as defined by the American Institute of Certified Public Accountants) we provide you and your affiliates, and any others for whom services are performed at your request (the "Services"). The nature and scope of our Services may be set forth in a Statement of Work ("SOW") signed by Moss Adams and you. However, all Services we provide you, whether or not set forth in a SOW, shall be subject to the terms of this Agreement.
- b. We will provide the Services to you as an independent contractor and not as your employee, agent, partner or joint venturer. We may use subcontractors and Service Providers (defined herein) in providing the Services. From time to time, non-CPA personnel may perform the Services. Neither you nor we have any right, power or authority to bind the other.

### 2. Your Responsibilities

- a. You agree to (i) make all management decisions, perform all management functions, and assume all management responsibilities, (ii) designate one or more individuals who possess suitable skill, knowledge, and/or experience to oversee the Services, (iii) evaluate the adequacy and results of the Services, (iv) accept responsibility for implementing the results of the Services, and (v) establish and maintain internal controls, including, without limitation, monitoring ongoing activities. The provisions of the preceding sentence are not intended to and do not alter, modify or change Moss Adams' duties and obligations set forth in this Agreement.
- b. You shall provide (or cause others to provide) to us, promptly, the information, resources and assistance (including access to records, systems, premises and people) that we reasonably require to perform the Services.
- c. To the best of your knowledge, all information provided by you or on your behalf ("Client Information") will be accurate and complete in all material respects. You represent the provision of Client Information to us will not infringe any copyright, privacy, proprietary or other third-party rights. We will rely on Client Information made available to us and will have no responsibility to independently evaluate it for accuracy or otherwise verify it.

### 3. Reports

- a. Any information, advice, recommendations or other content of any reports, presentations or other communications we provide under this Agreement ("Reports"), other than Client Information, are for your internal use only (consistent with the purpose of the particular Services).
- b. You may not disclose a Report (or any portion or summary of a Report) to any third party or refer to us in connection with the Services, except:
  - i. to your professional advisors (acting strictly in an advisory capacity and who are subject to these disclosure restrictions), who may review it only to give you advice relating to the Services;
  - ii. to the extent, and for the purposes, required by subpoena or similar legal process (of which you will promptly notify us);

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- iii. to the extent, and for the purposes, required by regulatory or self-regulatory authorities in connection with routine audits and examinations as long as Moss Adams, a Report and the Services are not the subject of the audit or examination;
  - iv. with our prior written consent, to third parties who have executed an access letter in the form we prescribe;
  - v. as expressly stated in an SOW; or
  - vi. to the extent it contains Tax Advice, as set forth below.
- c. Our Reports may include spreadsheets, models, or other software tools. Such items are provided solely for your convenience in "as is" condition without warranty of any kind. We assume no responsibility for results obtained by anyone other than Moss Adams from the use of such items.
- d. You acknowledge that Moss Adams has not placed any limitations on your disclosure of the tax returns, tax treatment or tax structure associated with any tax services under this Agreement ("Tax Advice"), and nothing in this Agreement shall be construed as limiting or restricting your disclosure of Tax Advice. Tax Advice may be challenged by taxing authorities and we make no representation that taxing authorities or courts will agree with our Tax Advice. With the exception of tax authorities, you shall inform those to whom you disclose Tax Advice that they may not rely on it for any purpose.
- e. You may not rely on any draft Report. We shall not be required to update any final Report for circumstances of which we become aware, or events occurring, after its delivery.
- f. If you are permitted to disclose a Report (or a portion thereof) hereunder, you shall not alter, edit or modify it from the form we provided.

### 4. Charges for Services

- a. The charges for our Services will be based on our standard rate(s) in effect for the individual(s) providing the Services, absent a SOW specifying a different charge. Our charges may include any applicable sales and gross receipts tax, and direct and indirect expenses based on out-of-pocket expenditures, per diem allotments, mileage reimbursements, processing charges and technology expenses. Billings are due upon presentation and become delinquent if not paid within 30 days of the invoice date. Any past due fee under this Agreement shall bear interest at the lower of twelve percent (12%) per annum or the highest rate allowed by law on any unpaid balance.
- b. If we are required by applicable law, legal process, or government action to produce information or personnel as witnesses with respect to the Services or this Agreement, you shall reimburse us for any professional time and expenses (including reasonable external and internal legal costs) incurred to respond to the request, unless we are a party to the proceeding or the subject of the investigation.

### 5. Limitations

- a. THE TOTAL LIABILITY OF MOSS ADAMS, ITS OFFICERS, DIRECTORS, PARTNERS, PRINCIPALS, MEMBERS, EMPLOYEES, SUBCONTRACTORS, AND AGENTS (COLLECTIVELY, "MOSS ADAMS PERSONS") TO YOU OR ANY THIRD PARTY FOR ANY AND ALL DAMAGES WHATSOEVER ARISING OUT OF THIS AGREEMENT FROM ANY CAUSE, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, ERRORS, OMISSIONS, STRICT LIABILITY, BREACH OF CONTRACT, OR BREACH OF WARRANTY SHALL NOT, IN THE AGGREGATE, EXCEED THE FEES PAID OR PAYABLE TO MOSS ADAMS UNDER THIS AGREEMENT DURING THE TWELVE (12) MONTHS PRIOR TO THE ACT OR OMISSION THAT CAUSED THE LOSS. THIS LIMITATION WILL NOT APPLY TO THE EXTENT LOSSES ARE CAUSED BY OUR FRAUD OR WILLFUL MISCONDUCT.

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- b. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR OTHERWISE ARISING OUT OF THIS AGREEMENT EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.
- c. You shall make any claim relating to the Services or otherwise under this Agreement no later than one (1) year after you became aware (or should reasonably have become aware) of the facts giving rise to such claim and in any event, no later than two (2) years after the completion of the particular Services. This limitation will not apply to the extent prohibited by applicable law, regulations or professional regulations.
- d. You may not make a claim or bring proceedings relating to the Services or otherwise under this Agreement against any Moss Adams Persons. You shall make any claim or bring proceedings only against us. The provisions of this Section 5 are intended to benefit Moss Adams Persons, who shall be entitled to enforce them.

### **6. Indemnity**

Unless prohibited by applicable law, regulations, or professional standards, you shall indemnify us and the Moss Adams Persons against all claims by third parties (including your affiliates and attorneys) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of the disclosure of any Report (other than Tax Advice) or a third party's use of or reliance on any Report (including Tax Advice) disclosed to it by you or at your request.

### **7. Intellectual Property Rights**

- a. We may use or develop intellectual property in performing our Services, including without limitation, data, software, designs, utilities, tools, models, systems, general skills, know-how, expertise, concepts, ideas, methods and techniques ("Materials"). We retain all intellectual property rights in the Materials (including any developments, improvements, and knowledge generated during or as a result of the performance of our Services), and in any working papers compiled in connection with the Services.
- b. Upon payment for particular Services and subject to the other terms of this Agreement, you may use any Materials that are included in any Reports solely to the extent necessary to use the Reports.

### **8. Internal Use and Third Parties**

All Services (including any Reports) shall be solely for your informational purposes and internal use, and none of our Services create privity between Moss Adams and any person or party other than you ("third party"). None of our Services are intended for the express or implied benefit of any third party, and no third party is entitled to rely on the Services we provide you, including without limitation, any Reports.

### **9. Confidentiality**

- a. Except as otherwise permitted by this Agreement, neither of us may disclose to third parties the contents of this Agreement or any information provided by or on behalf of the other that should reasonably be treated as confidential and/or proprietary. Either of us may, however, disclose such information to the extent that it:
  - i. is or becomes public other than through a breach of this Agreement;

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- ii. is subsequently received by the recipient from a third party who, to the recipient's knowledge, owes no obligation of confidentiality to the disclosing party with respect to that information;
  - iii. was known to the recipient at the time of disclosure or is thereafter created independently by the recipient;
  - iv. is disclosed as necessary to enforce the recipient's rights under this Agreement; or
  - v. must be disclosed under applicable law, legal process or professional regulations.
- b. Either of us may use electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations under this Agreement.
- c. Unless prohibited by applicable law, we may (i) use Client Information, and provide any of it to our affiliates and Moss Adams Persons in the local and foreign jurisdictions in which they operate, to facilitate or improve performance of the Services, to comply with regulatory requirements, to provide financial accounting and other administrative support services, or for quality and risk management purposes, (ii) use Client Information and provide it to affiliates to identify additional Services to provide you (e.g., accounting, investment banking, asset management, IT security, and consulting services), to send newsletters and other communications for general information purposes, and (iii) provide Client Information to external third parties, such as cloud-based software vendors, providing services to us or you ("Service Providers") who may collect, use, transfer, store or otherwise process it in various jurisdictions in which they operate. Although we require our Service Providers protect the confidentiality of your data, we make no representation or guarantee regarding the effectiveness of security measures maintained by such Service Providers. We will not sell Client Information to anyone.
- d. We may aggregate Client Information, and anonymize it by excluding any personally identifiable information ("Aggregated Anonymous Data"), to analyze, improve, support and operate the Services and otherwise for any business purpose, during and after the term of this Agreement, including without limitation to generate industry benchmarks or best practices guidance, recommendations or similar reports, for distribution to our clients and prospects, for their general information purposes. We will not identify you as the source of any Aggregated Anonymous Data.
- e. Our privacy policy is available at [www.mossadams.com](http://www.mossadams.com) for general information purposes.

### 10. Subpoena of Documents

As a result of our Services to you, we may be required or requested to provide information or documents in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding (including a grand jury investigation), in which we are not a party. We will notify you of any such request and you may, within the time permitted for us to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we will produce information to the extent required by law.

### 11. Use of a Party's Name

No Party may use another Party's name, its trademarks, service marks or logos in connection with the Services or otherwise without the prior written consent of such Party, which consent may be withheld for any reason and may be subject to certain conditions, although we may publicly identify you as a client in connection with specific Services or generally.

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### **12. Force Majeure**

No Party shall be liable for breach of this Agreement (other than payment obligations) caused by circumstances beyond such Party's reasonable control.

### **13. Governing Law and Dispute Resolution**

- a. This Agreement shall be governed by the laws of the state of Washington, without giving effect to any conflicts of laws principles.
- b. If a dispute arises out of or relates to this Agreement, and if the dispute cannot be settled through negotiations, the Parties agree first to try in good faith to settle the dispute by mediation using an agreed upon mediator. Each Party shall be responsible for its own mediation expenses, and shall share equally in the mediator's fees and expenses.
- c. If the claim or dispute cannot be settled through mediation, each Party hereby irrevocably (a) consents to the exclusive jurisdiction and venue of the appropriate state or federal court located in King County, state of Washington, in connection with any dispute hereunder or the enforcement of any right or obligation hereunder, and (b) WAIVES ITS RIGHT TO A JURY TRIAL.

### **14. Term and Termination**

- a. This Agreement shall remain in effect until terminated as provided below.
- b. This Agreement and any SOW may be terminated by either Party, with or without cause, upon ten (10) days written notice. In the event of such notice, we will stop providing Services except on work, mutually agreed upon in writing, necessary to carry out such termination. Termination of this Agreement shall automatically terminate all SOWs in progress, however, termination of a particular SOW shall not effect the validity of this Agreement or any other SOWs.
- c. In the event of termination, (i) you shall pay us for Services provided and expenses incurred through the effective date of termination, (ii) we will provide you with all finished Reports, and (iii) neither Party shall be liable to the other for any damages that occur as a result of our ceasing to render Services.
- d. The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement.

### **15. General Terms**

- a. This Agreement constitutes the entire agreement between the Parties as to the Services and the other matters it covers, and supersedes all prior agreements, understandings and representations with respect thereto, including any confidentiality agreements previously delivered.
- b. Each Party may execute this Agreement (including SOWs), as well as any modifications thereto, by electronic means and each Party may sign a different copy of the same document. Both of the Parties must agree in writing to modify this Agreement or any SOW. The parties acknowledge the general contract rule that a clause in a contract, such as this one, prohibiting oral modifications is itself generally subject to oral modification. However, in order to ensure certainty as to the terms and conditions of this Agreement, the parties waive this general contract rule.
- c. Each Party represents to the other that each person signing this Agreement or any SOW hereunder on its behalf is expressly authorized to execute it and to bind such Party to its terms. You also represent

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that this Agreement has, if necessary, been considered and approved by your Audit Committee. You represent that your affiliates shall be bound by the terms of this Agreement.

- d. Neither Party may assign any of its respective rights, obligations, or claims arising out of or related to this Agreement or any Services. Any assignment in violation of this provision shall be void.
- e. The non-exercise or partial exercise by either Party of any of its rights under this Agreement shall not in any case constitute a waiver of that right.
- f. If any provision of this Agreement (in whole or part) is held to be illegal, invalid, or otherwise unenforceable, the other provisions shall remain in full force and effect.

**AGREED:**

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**MOSS ADAMS LLP**

Signature: Stephen Bacchetti

Print Name: Stephen Bacchetti

Title: Senior Manager

Date: April 22, 2020

v. 3/16/2020

**Master Services Agreement Statement of Work  
CONSULTING SERVICES – Construction Project Audit**

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

APRIL 27, 2020

**This Statement of Work (“SOW”) is issued pursuant to the Master Services Agreement (the “MSA” or “Agreement”) between Moss Adams and you. This SOW incorporates all terms and conditions of the Agreement as if fully set forth herein. Any term not otherwise defined shall have the meaning specified in the Agreement.**

**Scope of Services:**

In this engagement, we will perform a capital program assessment for the Incline Village General Improvement District (“District” and “Company”). We will provide you with a written audit report that summarizes the analysis performed and the opportunities for improvement recommendations. The capital program assessment will provide specific emphasis on the following:

- Contract administration management and controls
- Bid and procurement management and controls
- Change order and scope management and controls application
- Expenditure management and controls
- Design and construction budget management and controls
- Project close-out controls

We will perform the services in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we will provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based. The procedures we will be performing will not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards.

The overall definition and scope of the work to be performed is the Company's responsibility. We will report to and take direction directly from your appointed project liaison. The Company is responsible for the implementation of actions identified in the course of this engagement and the results achieved from using any services or deliverables. We have not been engaged to and will not perform management functions, make management decisions, act, or appear to act in a capacity equivalent to that of an employee. The Company remains responsible for the proper implementation and operation of an adequate internal control system.

**Limitations:**

Due to inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If during the assessment we become aware of reportable conditions that are significant deficiencies in the design or operation of the internal control structure, we will communicate them to you immediately.

**Responsibility for Financial Statements**

You are fully responsible for your financial statements, including the establishment and maintenance of adequate records and effective internal controls over financial reporting. Moss Adams assumes no responsibility to provide you with assurance about the accuracy of financial statements, or whether such financial statements are free of misstatements due to fraud or in compliance with applicable laws or regulations.

**Management Responsibilities:**

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide nonattest services such as those identified in the preceding paragraphs. As a result, Company management must accept the responsibilities set forth below related to this engagement:

- Assume all management responsibilities.
- Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee our nonattest services. The individual is not required to possess the expertise to perform or reperform the services.
- Evaluate the adequacy and results of the nonattest services performed.
- Accept responsibility for the results of the nonattest services performed.

It is our understanding that Mr. Paul Navazio, Director of Finance, has been designated by the Company to oversee the nonattest services and that in the opinion of the Company is qualified to oversee our nonattest services as outlined above. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

**Charges for Services:**

We estimate that our fees for the construction project audit and controls review will be \$36,000. A breakdown of fees is listed in table below. Expenses will be billed separately.

Service Description	Project Name(s)	Price	Quantity	Total (Not to Exceed)
Capital Program Assessment	Projects to be determined at project commencement.	\$8,000	5	<b>\$40,000</b>
<b>New Client Discount (10%)</b>				<b>(4,000)</b>
<b>Total</b>				<b>\$36,000</b>

The fee payment schedule is outlined in the table below:

Payment Due	Amount
Engagement Acceptance (25%)	\$9,000
Fieldwork Begins (25%)	\$9,000
Fieldwork Ends (25%)	\$9,000
Report Delivery (25%)	\$9,000
	<b>\$36,000</b>

The fee estimate and accomplishment of the project work plan is based on anticipated cooperation from your personnel, the expectation your records will be in good order, and the assumption that unexpected circumstances will not be encountered. If we find that significant additional time is likely to be necessary, we will attempt to discuss

it with you and arrive at a new fee estimate and mutually agree upon a new maximum fee and expense amount before we incur significant additional fees or expenses.

**ACCEPTED AND AGREED:**

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date:

**MOSS ADAMS LLP**

Signature: Stephen Bacchetti

Print Name: Stephen Bacchetti

Title: Senior Manager

v. 04/14/2020