

NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at 5:00 p.m. on Wednesday, November 15, 2017 in the Chateau, 955 Fairway Boulevard, Incline Village, Nevada.

- A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
- B. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.

Public Comment Advisory Statement – *A public body has a legitimate interest in conducting orderly meetings. IVGID may adopt and enforce reasonable restrictions on public comment to ensure the orderly conduct of a public meeting and orderly behavior on the part of persons attending the meeting. Public comment, as required by the Nevada Open Meeting Law, is an opportunity for people to publicly speak to the assembled Board of Trustees. Generally, it can be on any topic, whether or not it is included on the meeting agenda. In other cases, it may be limited to the topic at hand before the Board of Trustees. Public comment cannot be limited by point of view. That is, the public has the right to make negative comments as well as positive ones. However, public comment can be limited in duration and place of presentation. While content generally cannot be a limitation, all parties are asked to be polite and respectful in their comments and refrain from personal attacks. Willful disruption of the meeting is not allowed. Equally important is the understanding that this is the time for the public to express their respective views, and is not necessarily a question and answer period. This generally is not a time where the Board of Trustees responds or directs Staff to respond. If the Chair feels there is a question that needs to be responded to, the Chair may direct the General Manager to coordinate any such response at a subsequent time. Finally, please remember that just because something is stated in public comment that does not make the statement accurate, valid, or even appropriate. The law mitigates toward allowing comments, thus even nonsensical and outrageous statements can be made. However, the Chair may cut off public comment deemed in their judgment to be slanderous, offensive, inflammatory and/or willfully disruptive. Counsel has advised the Staff and the Board of Trustees not to respond to even the most ridiculous statements. Their non-response should not be seen as acquiescence or agreement just professional behavior on their part. IVGID appreciates the public taking the time to make public comment and will do its best to keep the lines of communication open.*

- C. APPROVAL OF AGENDA (for possible action)
- D. GENERAL BUSINESS ITEM (for possible action)
 - 1. Review, discuss, and possibly approve a revised Audit Committee Policy 15.1.0 to forward to the Board of Trustees for adoption and to direct Staff for next steps (Requesting Trustee: Vice Chairman Phil Horan) – **pages 3 - 6**

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 • FAX (775) 832-1122

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NOTICE OF MEETING

Agenda for the Board Meeting of November 15, 2017 - Page 2

- E. APPROVAL OF THE MEETING MINUTES *(for possible action)*
 - 1. Audit Committee Meeting of May 10, 2017 – **pages 7 - 11**
 - 2. Audit Committee Meeting of September 13, 2017 – **pages 12 - 23**
 - E. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration; see **Public Comment Advisory Statement** above.
 - F. ADJOURNMENT *(for possible action)*
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CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Thursday, November 9, 2017 at 9:00 a.m., a copy of this agenda (Audit Committee Session of November 15, 2017) was delivered to the post office addressed to the people who have requested to receive copies of IVGID's agendas; copies were either faxed or e-mailed to those people who have requested; and a copy was posted at the following six locations within Incline Village/Crystal Bay in accordance with NRS 241.020:

1. IVGID Anne Vorderbruggen Building (Administrative Offices)
2. Incline Village Post Office
3. Crystal Bay Post Office
4. Raley's Shopping Center
5. Incline Village Branch of Washoe County Library
6. IVGID's Recreation Center

/s/ Susan A. Herron, CMC

Susan A. Herron, CMC

Clerk to the Board of Trustees (e-mail: sah@ivgid.org/phone # 775-832-1207)

Audit Committee Members: *Phil Horan, Chairman, Peter Morris, Kendra Wong*

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. Copies of the packets containing background information on agenda items are available for public inspection at the Incline Village Library.*

IVGID'S agenda packets are now available at IVGID's web site, www.yourtahoepace.com; go to "Board Meetings and Agendas". A hard copy of the complete agenda packet is also available at IVGID's Administrative Offices located at 893 Southwood Boulevard, Incline Village, Nevada, 89451.

MEMORANDUM

TO: District Audit Committee

THROUGH: Phil Horan
Audit Committee Chair

FROM: Gerald W. Eick CPA CGMA
Director of Finance

SUBJECT: Review, discuss, and possibly approve a revised Audit Committee Policy 15.1.0 to forward to the Board of Trustees for adoption and to direct Staff for next steps

STRATEGIC PLAN: Long Range Principle #2 – Finance “Comply with State and Federal Regulations”

DATE: November 3, 2017

I. RECOMMENDATION

The Audit Committee recommends adoption of the revised Audit Committee Policy 15.1.0, by the Board of Trustees.

II. DISTRICT STRATEGIC PLAN

Long Range Principle #2, Finance “Comply with State and Federal Regulations.” NRS 354.624 requires the annual audit. The District has placed the administration of that process under the Audit Committee.

III. BACKGROUND

The Audit Committee Policy was adopted January 14, 2009. Proposed revisions were reviewed by the Audit Committee on September 5, 2017. This review resulted in the request for additional edits which have been made. The revisions provide clarity of our process or procedure to support the current circumstances and what has been learned over the years since the policy was first adopted.

V. ALTERNATIVES

No changes are mandated however the adoption of policies implies they will be reviewed periodically to remain relevant.



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

The Incline Village General Improvement District is committed to be proactive, informed, and providing the highest form of financial accountability to its parcel owners. Achieving this goal requires clear rules and procedures for making decisions and their impact on financial results. As required by Nevada Revised Statute (NRS) 354.624, each local government shall provide for an annual independent audit of all of its financial statements.

POLICY: Each year, the Board of Trustees may establish the need for an Audit Committee and appoint no less than three members to such committee. Members of the Committee shall remain in place until successors are appointed. Members of the Audit Committee should be current Board members. As a general rule, no one having managerial responsibilities that fall within the scope of the audit should serve as a committee member.

1.0 Independent auditor reports directly to the Audit Committee

The independent auditor reports directly to the Audit Committee. The Audit Committee is expected to maintain free and open communication with the independent auditor and District Staff. This communication may include periodic executive sessions with each of these parties. The independent auditor should not engage in any work that will result in billing a fee, unless authorized by the Audit Committee. This includes response to items brought forward by any internal or external source. This does not preclude the work they must perform to meet their professional responsibility.

2.0 Scope of Audit Committee's authority and responsibilities

The Audit Committee at a minimum shall have the following authority and responsibilities:

- 2.1 To select, evaluate and, if necessary, replace the District's independent auditor, and to approve all audit engagement fees and terms, subject to Board of Trustees approval.



**Accounting, Auditing, and Financial Reporting
Audit Committee
Policy 15.1.0**

- 2.2 To review, with management and the auditors, the District's annual auditor's planning, process and engagement decisions.
- 2.3 To review procedures for the receipt, retention, and treatment of complaints received by the District regarding accounting, internal accounting controls, auditing matters, or suspected fraud. Review any submissions that have been received, monitor their current status, and the document handling or disposition.
- 2.4 To review confidential and/or anonymous submission by the District's employees of concerns regarding questionable accounting or auditing matters, or suspected fraud that cannot be handled by other appropriate levels of management.
- 2.5 The Audit Committee must meet annually to consider the appointment of the District's Auditor, receive the Comprehensive Annual Audit Report and related communications. Iso, if necessary to consider circumstances that arise beyond the scope of the Audit Engagement letter that could result in additional fees, and otherwise as determined the Audit Committee Chair. Meetings may be combined with regularly scheduled Board of Trustees meetings, or may be held more frequently as circumstances may require. The Audit Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
- 2.6 To submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.
- 2.7 To review and reassess, the adequacy of the Audit Committee responsibilities and recommend any proposed changes to the Board of Trustees for approval.
- 2.8 To appoint a Chair for the Audit Committee who will act as the primary contact with the independent auditor and District staff.

Adopted November 15, 2017



Accounting, Auditing, and Financial Reporting
Audit Committee
Policy 15.1.0

- 2.9 All members of the Audit Committee should possess or obtain a basic understanding of governmental financial reporting and auditing.
- 2.10 The Audit Committee will keep adequate minutes of its meetings and will report on its actions and activities at the next regular meeting of the District's Board of Trustees. Audit Committee members will be furnished with copies of the minutes of each Committee meeting.
- 2.11 The Audit Committee is governed by the same open meeting laws NRS 241 as long as three current District Board of Trustees members are on the Audit Committee and in attendance at the Audit Committee meetings.

MINUTES

AUDIT COMMITTEE MEETING OF MAY 10, 2017 Incline Village General Improvement District

The Audit Committee meeting of the Board of Trustees of the Incline Village General Improvement District was called to order by Audit Committee Chairman Phil Horan on Wednesday, May 10, 2017 at 4:00 p.m. at the Chateau located at 955 Fairway Boulevard, Incline Village, Nevada.

A. ROLL CALL OF THE IVGID BOARD OF TRUSTEES*

On roll call, present were Trustees Peter Morris, Phil Horan, and Kendra Wong.

Also present were District Staff Members Director of Finance Gerry Eick and Communications Coordinator Misty Moga.

Members of the public present were Frank Wright, Margaret Martini, and Daniel Carter of Eide Bailly.

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

B. PUBLIC COMMENTS

Margaret Martini said that the question that needs to be answered is that we have an Audit Committee and we have a Treasurer of this Board, Matthew Dent, and she is very concerned that our Treasurer is not on the Audit Committee; the Treasurer of the Board should be on the Audit Committee.

Frank Wright said that we have got the Trustees who seem to be a pack of wolves sitting before him and he has asked you to take out of the statement about General Counsel being able to shut down public comment. It is in everything we read and it is a misguided piece which shouldn't be there and it isn't hard to remove. Ask someone if that should be in there; it shouldn't be in there. He doesn't know how many times he has asked you to do this and he doesn't know when you will catch on but you haven't done it yet. What Ms. Martini said is very important and even more important is your response to this community and also more important is that the reporting is accurate, just, and true. We have a Certified Public Accountant on the Board and some questions have come up in our community that are going unanswered. Things are taking place that have the State looking at IVGID and looking at the financials so you three Board members need to look at your backside to see if it is covered because he doesn't think you are. Things that are coming

down are absolutely ludicrous as the spending of our money, recreation money, is not being fairly, accurate or clearly accounting for. If you don't have the guts, then who is going to do it for us. Lawsuits, legislators, attorney generals – along the way we have been asking you what you did to stop the illegal activity, well, you haven't done a thing. Are you going to, can you still, I don't know.

C. APPROVAL OF AGENDA (for possible action)

Chairman Horan asked for any changes to the agenda as submitted; no changes were offered therefore Chairman Horan said the agenda was approved as submitted.

D. GENERAL BUSINESS (for possible action)

D.1. Review, discuss, and possibly approve the reissuance of pages 31, 92, 93 and the addition of page 94 of the Comprehensive Annual Financial Report – Fiscal Year Ending June 30, 2016

Director of Finance Gerry Eick gave an overview of submitted materials. Trustee Wong asked what was our internal process and what have we changed as a result of this. Director of Finance Eick said for our internal control process, there is a second review. Prior it was not conducted by anyone other than the preparer and someone usually did a simple read through. Other years this has worked, clearly it didn't this time. Person other than preparer who will review and the reviewer will complete the Government Finance Officers Association (GFOA) checklist before anything is complete. Trustee Morris asked what is the defined role for the second review and does that need to be a financial person. Director of Finance Eick said that the preparer is the Director of Finance and the independent review will be done by the Controller, who has twelve years' experience auditing Comprehensive Annual Financial Reports (CAFR). He is not happy that this error occurred and that the District has no consequence other than getting it corrected and bringing through the process and then file the correction. Because of the finding, Staff has added the note that we had this meeting and took corrective action. Trustee Horan asked about internal controls and how through it is conducted. Director of Finance Eick said that there was a statement and that internal control is a fundamental part of any financial audit. The District has policies and procedures for reporting and recordkeeping. As a District, we complete a very detailed document for the auditors about our processes which they review, comment, determine, and then test. We get a more efficient audit with testing of internal controls and

thus that is what they do. There are professional standards, good design, and effectiveness. In this matter, we had a design which was not the best or the most effective and they made a comment which they are required to do. Trustee Wong said it doesn't seem to her to be an issue in accounting rather it is a tie out issue. Director of Finance Eick said that is correct as there was a number there and it got overwritten accidentally so this is truly a typographical error which is evidenced by the total fund balance being the same and correct and the same type of numbers that appear elsewhere are correct so this happened in only one place and it is not a miscalculation.

Trustee Wong made a motion to accept the reissued June 30, 2016 unmodified audit report, including a new Matter of Emphasis paragraph for a change in the classification of Fund Balance in the fund level financial Statement of Net Position for the Internal Services Fund, and direct Staff to file the reissued Comprehensive Annual Financial Report (CAFR) with the State of Nevada and make it generally available for public use. Trustee Morris seconded the motion.

Chairman Horan said that nobody likes to have errors, Staff doesn't like to see errors, and he still has full confidence in our financial team and that they are making the adjustments, going forward, to make sure this typo doesn't occur again. He did look at all the comments that came in and in this case, they identified an error, Staff notified the appropriate parties, and moved forward with the corrections.

Trustee Wong said Staff is taking the appropriate steps and that we are all humans and we all make mistakes. We fix them and move forward. Staff's explanation of the internal controls they are adding satisfies the focus of review by our auditors.

Trustee Morris said he supports what has already been said and that it is good that it was caught. Humans do make mistakes and thus further shows that the Board does listen and hears the comments from the public and act on them immediately.

Hearing no further comments, Chairman Horan called the question and the motion was passed unanimously.

D.2. Review and discuss current schedule and status for audit of the fiscal year ending June 30, 2017 with the District's Director of Finance (Requesting Trustee: Audit Committee Chairman Phil Horan)

Director of Finance Eick said this was an update; the auditor is planning on being here for two days in June, then return in September, and that there will be opportunities for committee members to meet with them in June and September. We will be able to prepare a report in November and deliver it in December. Chairman Horan said that when Staff gets the date, he would hope to meet with the auditors in June.

D.3. Policy 15.1.0 – Review, discuss and possibly set a plan for future actions (Requesting Trustee: Audit Committee Chairman Phil Horan)

Chairman Horan said that Policy 15.1.0 talks about the Audit Committee and noted that it was put together in 2009 so it is appropriate, every eight or nine years, to look at it and get the Audit Committee to review and make comments. We can then schedule a meeting in the June time frame to discuss changes to that policy. Trustee Wong asked if it would go to the full Board sometime in June. Chairman Horan said he would like it to remain at the committee level first and then, at the appropriate time, bring it to the full Board. Trustee Morris said that he agrees it is the time to review it and asked if there was anything in particular we should look at. Chairman Horan said in general, just review it, and stated that there might be something we want to make an adjustment to but nothing in particular. District General Counsel Guinasso advised that the Audit Committee should make a motion to direct Staff to put this on the next agenda and to send a copy, for review, to all Trustees.

Trustee Wong made a motion to review Policy 15.1.0 and to have Staff send a copy of Policy 15.1.0 to all Board members to obtain their feedback and then schedule a meeting of the Audit Committee to review those submittals. Trustee Morris seconded the motion.

Chairman Horan asked for comments, receiving none, called the question – the motion was unanimously passed.

Trustee Wong said, for a June meeting, that June 14 would work best for her. Trustee Morris said June 14 is challenging for him. Chairman Horan said he work up some dates and ask Staff to put them out.

E. APPROVAL OF MINUTES (for possible action)

E.1. APPROVAL OF THE MEETING MINUTES OF DECEMBER 14, 2016

Chairman Horan asked for any revisions, hearing none, approved them 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; see Public Comment Advisory Statement above.

Margaret Martini said wow that was interesting. Management oversight have been caught with their pants down and that hopefully the naked dance of cover up is over.

Frank Wright said it was a little piece of the iceberg that was sticking out that sunk the Titanic and that this is the beginning of taking you down. When you don't engage or discount the members of the public and Staff blows smoke in the air you then give Staff a pass. This was a huge error that was caught be members of the public that you call more vocal than others. These are CPA's and financial advisors. Our District General Counsel has all kinds of problems yet you listen to him. Staff made a mistake and we are talking about money that this Board is blowing. This is hard earned money that people work for and these are people who live in apartments and condos who are relying on the Board to protect their assets. You have Staff that are making mistakes such as not asking for a lawyer's bill. This Board thinks that Judge Flanagan was right, well he was not right, and the Nevada Supreme Court is going to prove that to you. So watch your backside and engage with community members.

G. ADJOURNMENT (for possible action)

The meeting was adjourned at 4:31 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

MINUTES

AUDIT COMMITTEE MEETING OF SEPTEMBER 13, 2017 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Chairman Phil Horan on Wednesday, September 13, 2017 at 5:00 p.m. at the Chateau located at 955 Fairway Boulevard, Incline Village, Nevada.

A. ROLL CALL OF THE IVGID BOARD OF TRUSTEES*

On roll call, present were Trustees Peter Morris, Phil Horan, and Kendra Wong.

Also present were District Staff Members Director of Finance Gerry Eick and Communications Coordinator Misty Moga.

Members of the public present were Cliff Dobler, Frank Wright, and Linda Newman.

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

B. PUBLIC COMMENTS*

Cliff Dobler read from a prepared statement which is attached hereto.

Linda Newman read from a prepared statement which is attached hereto.

Frank Wright said it is becoming very, very apparent this Board is trying to kill any interest the public may have, can't get public records, destroy e-mails, and financials aren't available to a trustee nor public. You think I am nuts when I tell you people outside are paying attention. It is hard for people who don't understand financials to understand and it is getting convoluted. Have a CPA who is a Board Chair who doesn't understand and she, along with others, are concealing. Everything you are doing is to squash the public involvement, take away our rights to look at financials, audit reports, and other items. Look at Counsel, smiling, has a grin on his face. He is making a mockery of this Board. Now changing the way it operates, taken out a member of the Board, aren't making the changes to be transparent etc. making the changes because you have gotten together to vote their way so Staff and others get it the way they want. You are now looking pretty stupid, investigations are taking place as we

speak, all involved, don't know what is going to happen but a Grand Jury may be coming down.

C. APPROVAL OF AGENDA (for possible action)

Chairman Horan asked for any changes to the agenda as submitted; no changes were requested thus the agenda is approved as submitted.

D. GENERAL BUSINESS (for possible action)

D.1. Review and discuss a plan to update Policy 15.1.0 Accounting, Auditing, and Financial Reporting, Audit Committee (Requesting Trustee: Vice Chairman Phil Horan)

Chairman Horan said that this is in line with the Board decisions to update our policies and procedures and that he thought the Audit Committee should take a look at making changes and he worked a little bit with Staff to make some suggested changes and wanted to walk through them on an item by item basis. The reason we thought about changing was nothing more than to make sure that the committee stayed in place so it can continue to act and not cease to exist. This is not an effort to squash any work to be done rather review and approve expenses before they are done.

Trustee Morris said under 1.0, he wanted to be clear on our language because there are members of the public who have communicated with our auditors and we got a bill from the auditors. We can't monitor that and thus this would allow us to monitor it so we aren't surprised by any charges and understand what is going on. Chairman Horan said yes, that is correct.

Chairman Horan then went over the remainder of the proposed changes, item by item. On 3. he said this would be keeping a log on questions so that by the end of the year these items are covered. This isn't in place right now but that is why the change is being requested. On 4. he wants to make sure that everyone is aware of this opportunity and that it is not restricted to going to Human Resources, direct boss, or the General Manager. Trustee Morris said that the procedure implies that this allows members of Staff to come directly to the Audit Committee either anonymously or otherwise with matters. Chairman Horan said he didn't know if the first time it was made known. Trustee Wong said if someone submits something to Board members does that become a public record or

can it be anonymous or confidential. District General Counsel Guinasso said it would be a public records however there might be some whistleblower protection; he would have to research that statute to see how that compliments this policy however, generally speaking, it would be a public record. Trustee Wong asked if there needed to be a review of our whistleblower policy. Director of Finance Eick said that he is aware, from talking to other agencies, that because there is a Nevada Revised Statute and this is one that has been created by law, agencies don't create their own rather they incorporate it by reference and that this would be an appropriate thing to add to 4. Trustee Morris asked if there was a bar above whistleblower that one has to reach as it is his hope that this allows for anyone to raise an issue. Director of Finance Eick said that the intent, in his understanding, is to simply provide protection against retaliation should anyone bring anything forward. The benefit in identification is the biggest safety blanket and good practice.

Chairman Horan moved on to 5. and said that if a meeting was needed, it would not be turned own. Trustee Wong said she would like to identify the times that we have to meet and then schedule additional meetings at the discretion of the Audit Committee Chair, list independent audit fees, etc. and lay out specific meetings and then schedule others as needed. Trustee Morris said, going back to 1., we need to be aware of the work they are doing because we run the risk of a response so we have got to meet to approve it and he wants to make sure there is a clarity. Chairman Horan said the area they fall under that they are allowed to do what they need to do to fulfill their professional responsibility.

Chairman Horan continued the review. Trustee Morris said that going through the Chair is good practice which he thinks is good and understands that this doesn't stop any members of the Audit Committee from raising concerns. Chairman Horan agreed and stated is not meant to restrict.

Chairman Horan continued the review. Trustee Morris said on 9. that he liked the change because rather than ideally it requires all members to have basic understanding which he likes and asked if there was a basic definition. Director of Finance Eick said that there is a way to implement 9. as the GFOA has developed a handbook for elected officials which he has toyed with getting for the Board, and as a minimum, for the Audit Committee so that it could be available as a reference as it is not available online. Chairman Horan said he thought that would be a good idea.

Director of Finance Eick said for 4. that when the policy was originally adopted there was an idea to implement this through the District's Personnel policies as we have an Intranet for employees and we will post it there with a heading all its own so as to highlight it.

Chairman Horan said, in summary, that the policy is to go back to Staff and then have an updated copy, which is based on the comments made today, for our next meeting. Director of Finance Eick said Staff will come forward with another version and a recommendation of implementation. Trustee Morris said regarding 9. that given that 5. we talked about not specifically the time but that the events that would cause a modification in this paragraph. Trustee Wong suggested making it its own bullet point and then 10 and 11 could be pushed together. Trustee Morris said okay and that he is looking forward to getting an updated version. Chairman Horan said he would direct Staff to take all these things into consideration and make specific recommendations on implementation. Both Trustees Wong and Morris concurred with this direction. Chairman Horan said that this will be an actionable item for the next Audit Committee meeting.

E. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration; see Public Comment Advisory Statement above.

Cliff Dobler said that he had no prepared statement and asked that the committee think about a few things. You just turned around and eliminated four meetings with the Chair being a dictator who can call a meeting at his will. There is a lawyer here who is not a professional, as you deem it, and eliminating the calling of a meeting could involve him, he could say no. On acceptance, you should be doing a report and it should be written because you could sanitize minutes and do it verbally so no one know what is going on. You are passing power to Chairman who can decide, at his will, what he wants to do and he thinks it is called a dictatorship. You have procedures at your meeting and you have central services allocation which is against the law yet you have done nothing about it. Find out about it and do a report. The District paid the \$4200 bill and he did a record request and he would like to have the documentation period. The District paid the bill so it is yours, so get it, and give it to him.

Linda Newman said she doesn't have a prepared statement and that her focus is on 9. which she read. She would strongly urge all of you to take classes or get some tutoring because it is really critical and a fundamental part of your job.

GFOA strongly recommended hiring someone to act as an expert, not auditor or counsel, to give you an edge in performing your duties.

Frank Wright said he taught constitutional and government history for 35 years and he never had an example of what is wrong with free speech. To say a free speech place is in the parking lot and then have the oddity of talking about whistleblower. Mr. Katz exposed that you couldn't get public records and then had to pay \$241,000 - is that open and transparent government. You know that public records are public records so why are you interrupting everyone's chance to get public records. Why aren't they coming out? You just heard Mr. Dobler ask for records he can't get, we have e-mails that are being destroyed, two parking spaces for free speech, and slapping citizens. Now this change, what are you all hiding? This isn't nice nor pretty. He has students in class that he tells them that this is close as it gets to a dictatorship because you overtaking the rights of the citizens when you should be screaming loud and clear it is so wrong, just as is the two parking spaces, and calling the sheriff, that is what so wrong. People are coming after you.

F. ADJOURNMENT (for possible action)

The meeting was adjourned at 5:39 p.m.

Respectfully submitted,

Susan A. Herron
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 Cliff Dobler (2 pages): September 13, 2017, Public Comment and Written Statement to be included in the next Board Packet, Re: Policy 15.1.0 Accounting, Auditing and Financial Reporting – Audit Committee

Submitted by Linda Newman (5 pages): September 13, 2017 IVGID AUDIT COMMITTEE MEETING, Public Comment by: Linda Newman – To be included with the Meeting Minutes

September 13, 2017

Public Comment and Written Statement to be included in next Board Packet

Re: Policy 15.1.0 Accounting, Auditing and Financial Reporting - Audit Committee

From: Clifford F. Dobler

The changes suggested by Staff and Trustee Horan for Policy 15.1.0 and asking approval of the three member audit committee is nothing more than attempts to stifle public comment and also stifle the independent auditor's review of improper accounting brought by citizens.

1. 0 By ethics, any auditor who receives information from outside sources has a responsibility to review the information and provide their thoughts to IVGID . Effectively what this change attempts to do is tell the auditor not to look at any outside correspondence because IVGID will not pay unless authorized by the Audit Committee

2. 0.1 This section was originally set up to review procedures regarding submissions of suspected fraud and similar items . Where are the procedures? It appears the procedures never existed. This rewrite is an attempt to eliminate the procedures and place into the hands of three board members the ability to review any submissions regarding suspected fraud, monitor their status, and the document handling or disposition . The submission will never leave the Audit Committee.

2.0.5 In order to squash any public comment, meetings required to be held 4 times a year has been removed and the Chairman of the Committee will decide when a meeting is necessary. Which will be never.

2.0.6. The rewrite suggests an annual Audit Committee Report will be presented to the Board of Trustees in conjunction with the acceptance of the annual audit. So if the BofT does not intend on accepting the annual audit then there is no requirement for a committee report. The rewrite does not indicate whether the report is required to be in writing. If verbal, it just may be garbled in transmission or just turned off on Live Stream or sanitized in the meeting minutes in order to insure public does not know what's up.

2.0.7 The rewrite removes the one year requirement to review and reassess the audit committee responsibilities. So if there is no requirement for a review then no reviews will ever take place.

2.0.8. The rewrite is instituting a requirement that only the Chairman of the Audit Committee is to be the primary contact with the independent auditor and the District's Staff. As written It infers that any other Board Member or Staff is shut out from discussing any fraudulent accounting issues with the Auditor and must instead report to the Chair of the Audit Committee.

2.0.9 The requirements of this section was that all Audit Committee members should possess or obtain a basic understanding of governmental financial reporting and auditing. This requirement is being changed that it would be **IDEAL** but not necessary for a person on the committee to have some knowledge.

These changes are nothing more than the continuing attempt to shut out the public , the auditor and other board members.

September 13, 2017 IVGID AUDIT COMMITTEE MEETING

Public Comment by: Linda Newman – To be included with the Meeting Minutes

I am greatly disappointed by the Chair's proposed revisions to Audit Committee Policy 15.1.0 and 15.2.0. In the District's restated 2016 CAFR, the Independent Auditor's Report on Internal Control over Financial Reporting dated November 30, 2016, Eide Bailly stated their identification of a deficiency in internal control that they consider to be a material weakness. The auditing firm further recommended that IVGID implement an additional level of review of the financial statements. Despite this, the Chair has taken no initiatives to strengthen the role of the Audit Committee nor has he provided a plan to improve the District's internal controls.

In fact, four meetings a year will no longer be required. And any and all meetings will only be scheduled at the discretion of the Chair. Apparently, the Committee Chair does not take the Auditor's recommendation or this Committee's responsibilities seriously.

Over the past two years more than a dozen memorandums from experienced accounting and finance professionals have documented the District's flawed and often inaccurate, improper and fraudulent accounting and reporting practices. To date, a number of these issues remain unanswered, unaddressed and unresolved. Although the existing Board Policy 15.2.0 (3) states there are procedures for these types of complaints, we are unaware of the Committee doing anything other than ignoring them. Or, blanketing all the complaints into one bundle and offering a generic response by the Chair that in his opinion there isn't a problem. Apparently, Audit Committee Chair Horan would like^{to} keep all complaints out of the light of day and away from resolution. As we believe that any action taken by the District including the restated CAFR -- has been a result of outside intervention by the Auditor or the Department of Taxation, it is quite clear that the revision of 15.1.0 (1) places restraints upon the Auditor by declaring that "the independent auditor should not engage in any work that will result in billing a fee; unless authorized by the Audit Committee. This includes response to items brought forward by any internal or external source..."

That being said, I have attached the Government Finance Officers Association Best Practice Paper on Audit Committees. I hope you will take the opportunity to

read it and reach out to other local governments on the policies for their audit committees before taking action on these revisions.



BEST PRACTICE

Audit Committees

BACKGROUND:

Three main groups are responsible for the quality of financial reporting: the governing body,¹ financial management, and the independent auditors. Of these three, the governing body must be seen as first among equals because of its unique position as the ultimate monitor of the financial reporting process.² An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the governments financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess managements practices, and that the independent auditors, through their own review, objectively assess the governments financial reporting practices.³

RECOMMENDATION:

GFOA makes the following recommendations regarding the establishment of audit committees by state and local governments:

- The governing body⁴ of every state and local government should establish an audit committee or its equivalent;
- The audit committee should be formally established by charter, enabling resolution, or other appropriate legal means and made directly responsible⁵ for the appointment, compensation, retention, and oversight of the work of any independent accountants engaged for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services.⁶ Likewise, the audit committee should be established in such a manner that all accountants thus engaged report directly to the audit committee. The written documentation establishing the audit committee should prescribe the scope of the committees responsibilities, as well as its structure, processes, and membership requirements. The audit committee should itself periodically review such documentation, no less than once every five years, to assess its continued adequacy;⁷
- Ideally, all members of the audit committee should possess or obtain a basic understanding of governmental financial reporting and auditing.⁸ The audit committee also should have access to the services of at least one financial expert, either a committee member or an outside party engaged by the committee for this purpose. Such a financial expert should through both education and experience, and in a manner specifically relevant to the government sector, possess 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals, and reserves; 4) experience with internal accounting controls; and 5) an understanding of audit committee functions;⁹

- All members of the audit committee should be members of the governing body. To ensure the committees independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member of the audit committee;
- An audit committee should have sufficient members for meaningful discussion and deliberation, but not so many as to impede its efficient operation. As a general rule, the minimum membership of the committee should be no fewer than three;¹⁰
- Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism;
- It is the responsibility of the audit committee to provide independent review and oversight of a governments financial reporting processes, internal controls and independent auditors;¹¹
- The audit committee should have access to the reports of internal auditors, as well as access to annual internal audit work plans;
- The audit committee should present annually to the full governing body a written report of how it has discharged its duties and met its responsibilities. It is further recommended that this report be made public and be accompanied by the audit committees charter or other establishing documentation;
- The audit committee should establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters. Such procedures should specifically provide for the confidential, anonymous submission by employees of the government of concerns regarding questionable accounting or auditing matters.¹² The audit committee also should monitor controls performed directly by senior management, as well as controls designed to prevent or detect senior-management override of other controls¹³;
- The audit committee should be adequately funded and should be authorized to engage the services of financial experts, legal counsel, and other appropriate specialists, as necessary to fulfill its responsibilities¹⁴; and
- In its report to the governing body, the audit committee should specifically state that it has discussed the financial statements with management, with the independent auditors in private,¹⁵ and privately among committee members,¹⁶ and believes that they are fairly presented, to the extent such a determination can be made solely on the basis of such conversations.

Notes:

¹ For the purposes of this recommended practice, the term governing body should be understood to include any elected officials (e.g., county auditor, city controller) with legal responsibility for overseeing financial reporting, internal control, and auditing, provided they do not exercise managerial responsibilities within the scope of the audit. The term governing body also is intended to encompass appointed bodies such as pension boards.

² *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees, Overview and Recommendations.*

³ Securities and Exchange Commission (SEC) Regulation 33-8220, Background and Overview of the New Rule and Amendments.

⁴ For the purposes of this recommended practice, the term governing body should be understood to include any other elected officials (e.g., county auditor, city controller) with legal responsibility for overseeing financial reporting, internal control, and auditing, provided they do *not* exercise managerial responsibilities within the scope of the audit. The term governing body also is intended to encompass appointed bodies such as pension boards.

⁵ Nothing in this recommended practice should be interpreted so as to limit the full governing body from exercising ultimate authority.

⁶ Sarbanes Oxley Act, Section 301.

⁷ *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*, Recommendation 4.

⁸ *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*, Recommendation 3. Continuity typically is a positive factor in achieving this goal, a fact that should be kept in mind when considering the appropriate length of service for audit committee members.

⁹ Sarbanes-Oxley Act, Section 407.

¹⁰ In certain limited instances, as noted later, the audit committee will need to meet privately to achieve its goals. If the audit committee constitutes a majority of the governing body, such private meetings may be hampered by sunshine laws and similar open meetings legislation.

¹¹ SEC Regulation 330-8220, Background and Overview.

¹² Sarbanes Oxley Act, Section 301.

¹³ *Internal Control Integrated Framework: Guidance on Monitoring Internal Control Systems* (Discussion Document of the Committee of Sponsoring OrganizationsCOSO, 2007), page 10.

¹⁴ Nothing in this recommended practice should be interpreted so as to limit the full governing body from exercising ultimate authority.

¹⁵ It is important that the audit committee be able to meet privately with the independent auditors, as needed, to ensure a full and candid discussion. Governments are urged to amend sunshine laws and similar open meetings legislation to permit such encounters in these limited circumstances.

¹⁶ It is important that audit committee members be able to meet privately among themselves, as needed, to ensure a full and candid discussion. Governments are urged to amend sunshine laws and similar open meetings legislation to permit such an encounter in these limited circumstances.

Applicable to Canadian Governments:

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