

# January 11, 2023, Annual Audit Committee Report to the IVGID Board of Trustees

## 1 Background

The IVGID Audit Committee ("AC") is required under Board Policy 15.1.0, subparagraph 2.4.6 to "Submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit. This report is provided to comply with the Policy and provide the Board with our questions, concerns, comments, and recommendations.

At the public meeting held on December 5th 2022, the Audit Committee received and reviewed the final IVGID Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2021 and other related materials.

The ACFR and accompanying documents were presented by Director of Finance Paul Navazio and Controller Martin Williams. Davis Farr Audit Engagement Partner Jennifer Farr was in attendance to answer questions and provide an overview of the contents of the documents and the opinion issued by Davis Farr.

The AC received the final 2021 ACFR and related documents on December 5, 2022, but had received draft materials via electronic correspondence in mid-November. It was not possible for the Audit Committee to both remain compliant with Open Meeting Laws and to prepare, review and finalize the required report to the Board of Trustees (BOT) prior to the scheduled meeting of the BOT on December 15, 2022 where the ACFR was scheduled to be reviewed and possibly accepted by the BOT. It is recommended that the BOT adapt Board policy 15.1 to allow for a verbal report at the final board meeting of the year followed by a written report for the BOT to consider, especially for adoption of the budget and scope of the audit.

## 2 Audit Committee's Areas for Review and Updates Addressed by Management

- 1) The AC noted the need for the restatement in the restricted net position (Governmental funds) due to the reclassification of the amount reflected related to claims payable moving from restricted to unrestricted and should not have been reflected in restricted net position. **Management Addressed**

- 2) The AC noted a need for correction in the note for cash and cash equivalents to ensure that the numbers in the table and the words used in the paragraph of the note correctly matched. **Management Addressed**
- 3) The AC noted a correction was needed in Utility change in net position in supplemental information, which is a new table requested last year by the AC. The correction would fix a formula error in the calculation producing incorrect numbers. **Management Addressed**
- 4) The AC asked for the dollar amount of the past journal entries that are mentioned in the audit finding. **Management Addressed**
- 5) The AC noted there were grammatical and spelling issues. **Management Addressed**

### **3. Additional Discussion of the Audit Committee on Audit Findings.**

- 1) The Audit identified four material weaknesses. The AC notes that this is the third consecutive year where there have been Material Weaknesses. An improvement from last year's audit. Management has proposed actions to address these Material Weaknesses which the AC will continue to monitor.
  - a. The AC discussed impact of not having a physical inventory count. The importance of having strong internal controls that are persistently followed
  - b. The AC discussed the delay in staff providing the bank reconciliation. Again, the conversation on internal controls was discussed, as well as having a plan in place for employee changes.
- 2) The AC will discuss at future meetings to track how management has addressed these issues to ensure that the issues will not occur in the future
  - a. Additionally the AC will address the past issues brought up by the AC

### **4. Additional Discussion of the Audit Committee**

The AC additionally discussed additional areas of concern and for future discussion and focus.

One main issue that was discussed was that Capital expenditures were only looked at the 2021 expenditures and not at prior expenditures. It is important to note that Davis Farr is performing another engagement for the district that looks at capitalization across prior years. This report will be delivered to both the committee and the BOT soon and will be something to keep in mind for the upcoming audit.

Another concern that was brought up during the AC meeting was around the Tahoe Water Supplier Association and whether it needed to be separately reported, which it was decided by staff and the auditor that this was not applicable for the note.