

The Colorado River Commission of Nevada (Commission) Financial and Audit Subcommittee (Subcommittee) meeting was held at 1:33 p.m. on Tuesday, December 11, 2018 at the Grant Sawyer State Office Building, 555 East Washington Avenue, Suite 3100, Las Vegas, Nevada.

SUBCOMMITTEE COMMISSIONERS IN ATTENDANCE

Subcommittee Chairwoman	Kara J. Kelley
Subcommittee Vice Chairwoman	Marilyn Kirkpatrick

SUBCOMMITTEE COMMISSIONERS NOT IN ATTENDANCE

Subcommittee Commissioner	Dan H. Stewart
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DEPUTY ATTORNEY(S) GENERAL

Special Counsel, Attorney General	Christine Guerri
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COMMISSION STAFF IN ATTENDANCE

Deputy Executive Director	Eric Witkoski
Chief of Finance and Administration	Douglas N. Beatty
Senior Energy Accountant	Gail L. Benton
Natural Resource Analyst	Peggy Roefer
Assistant Director of Energy Information Systems	Kaleb Hall
Office Manager	Gina L. Goodman
Administrative Assistant IV	Kira Bakke
Administrative Assistant III	Kris Perry
Administrative Assistant II	Joshua Cleveland

OTHERS PRESENT; REPRESENTING

Eide Bailly LLP	Tamara Miramontes
Eide Bailly LLP	Chris Whetman

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF DECEMBER 11, 2018**

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The Colorado River Commission of Nevada (Commission) Financial and Audit Subcommittee (Subcommittee) meeting was called to order by Commission Vice Chairwoman Kelley at 1:33 p.m. followed by the pledge of allegiance.

A. Conformance to Open Meeting Law.

Deputy Executive Director Eric Witkoski confirmed that the meeting was posted in compliance with the Open Meeting Law.

B. Comments from the public. (No action may be taken on a matter raised under this item of the agenda until the matter itself has been specifically included on an agenda as an item upon which action will be taken.)

Subcommittee Chairwoman Kelley asked if there were any comments from the public. There were none.

C. *For Possible Action:* Approval of minutes of the August 14, 2018 meeting.

Subcommittee Vice Chairwoman Kirkpatrick moved for approval of the minutes. The motion was seconded by Subcommittee Chairwoman Kelley and approved by a unanimous vote.

D. *For Possible Action:* Approval of minutes of the October 9, 2018 meeting.

Subcommittee Vice Chairwoman Kirkpatrick moved for approval of the minutes. The motion was seconded by Subcommittee Chairwoman Kelley and approved by a unanimous vote.

E. *For Information Only:* Discussion and Review of the draft Audit for FY2018 including but not limited to, update of audit related activities, potential issues with the timely completion of the audit and discussion of any audit findings.

Chief of Finance and Administration, Douglas Beatty provided an update on the audit activity.

Mr. Beatty discussed the Basic Financial Statements (Statements) that were completed and provided to the Commission by Eide Bailly (Auditors) on November 16, 2018. The Nevada State Controller's Office (Controller's Office) were provided these Statements. The key components of these Statements are the independent auditor's report with an unmodified opinion with no Emphasis-of-Matter or Other-Matters Paragraph. The Statements are understood by Staff to be finished and all the numbers are accurate at this point in time.

Public Employees' Retirements Services Nevada (PERS) numbers, which are provided by the Public Employees' Benefits Program Office (OPEB) are still outstanding.

These outstanding numbers are provided from PERS to the Controller's office and then are parsed out to state agencies requiring verification by the Auditors. Staff believes that the Auditors have asked the OPEB auditors to provide that information that relates to the underlined assumptions numbers given by the state. The Controller's office understands this outstanding item.

Mr. Beatty provided a brief overview of the draft Comprehensive Annual Financial Report (CAFR) for fiscal year 2018, the Schedule of Findings (Finding 2018-A), the specific details of the adjusted entries, pre-exit conference summary dated December 4, 2018, draft Commission letter of Introduction, and management's discussion and analysis. The narrative component, basics financial statements, tables, and schedules comprise the draft CAFR.

Subcommittee Chairwoman Kelley asked for clarification of the CAFR's due date.

Mr. Beatty responded that the CAFR is due to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting by December 31, 2018. The Commission finalized CAFR needs to get to the Controller's Office in order for their CAFR to be released by December 31, 2018.

Subcommittee Vice Chairwoman Kirkpatrick requested Eide Bailly LLP representatives to come forward for the record to allow a clear understanding of this audit before moving into the legislative session with emphasis on PERS and OPEB's first year of an ongoing liability.

Terminology for the record:

Nevada Public Employees' Benefit Program (PEBP):
Administers a group health and life insurance program.

Nevada Public Employees' Retirement System (PERS):
A component unit of the state of Nevada that provides public workers with a retirement program.

Other Postemployment Benefits (OPEB):
Liability benefits that a retiree can be compensated for are life insurance premiums, healthcare premiums, and deferred-compensation arrangements.

Census Data:
The focus of substantive procedures over census data is ordinarily based on a roll forward concept that focuses the testing on incremental changes to the census data file since the prior actuarial valuation: – Actives; – New hires; – Status changes.

Government Accounting Standards Board Statement 75 (GASB 75): Effective for the fiscal year ending June 30, 2017, replacing the GASB 45 accounting standard. With the implementation of GASB 75, the Total OPEB Liability (referred to as the Actuarial Accrued Liability under GASB 45) must be determined using the Entry Age Normal actuarial cost method as opposed to the Projected Unit Credit actuarial cost method used under GASB 45.

Representatives Tamara Miramontes, Engagement Partner and Chris Whetman, Senior Audit Manager from Eide Bailly LLP addressed the Subcommittee.

Ms. Miramontes provided explanation on PEBP's auditing process and the need for OPEB retiree calculations and other post-employment benefits other than pensions. Ms. Miramontes further added that PERS came on a couple years ago. The OPEB healthcare liabilities are coming on this year. PEBP has a separate auditor and one of the things considered is census data which reads the past employees, retirees, the hires, etc. PEBP does not want to allow access to any auditors other than their own, and Eide Bailly has been in contact with PEBP'S auditors to do some census data testing in order to become comfortable with the actuary report as to what the actual total liabilities are.

Subcommittee Vice Chairwoman Kirkpatrick inquired about the necessity of the census data.

Ms. Miramontes answered that Eide Bailly needed to access the data because the number was material to verify that the actuary was correct.

Subcommittee Vice Chairwoman Kirkpatrick asked about other agencies.

Ms. Miramontes responded that other agencies should be experiencing the same level of scrutiny.

Subcommittee Vice Chairwoman Kirkpatrick asked how other agencies get around HIPAA in terms of PEBP information.

Ms. Miramontes answered that PEBP auditors are relied on as a go between.

Subcommittee Vice Chairwoman Kirkpatrick requested further clarification on other agencies.

Ms. Miramontes explained that Eide Bailly is waiting on the census data testing from the auditors of PEBP for the Legislative Counsel Bureau, the State, and the Commission.

Subcommittee Vice Chairwoman Kirkpatrick stated that a program would have to be implemented to differentiate the data from the agencies.

Ms. Miramontes stated that the testing of the census data has begun and that Eide Bailly is waiting on the results.

Subcommittee Chairwoman Kelley asked about turnaround time once the information was received.

Ms. Miramontes responded that once the figures were received, it would be prepared by approximately December 14, 2018.

Subcommittee Vice Chairwoman Kirkpatrick stated that PEBP should issue a detailed letter regarding the issues. Ms. Kirkpatrick asked about the Government Accounting Standards Board (GASB) and reporting material weaknesses.

Ms. Miramontes reviewed the report and explained the beginning and ending figures, in regard to liability and PERS.

Subcommittee Vice Chairwoman Kirkpatrick asked if there was progress made.

Ms. Miramontes stated that there was progress from last year that is detailed in the report. The adjustments made to get the financial statement number would be reported as material weaknesses. Ms. Miramontes further added that during the review process the reviewed adjustments are judged and then determined whether or not to be reported as material weaknesses.

Subcommittee Vice Chairwoman Kirkpatrick asked for clarification on the amount of reported material weaknesses.

Ms. Miramontes stated that there was a material weakness identified.

Subcommittee Vice Chairwoman Kirkpatrick asked for clarification on how to fix the material weakness.

Ms. Miramontes explained the expectations from the auditor's perspective and the reasonings behind the material findings.

Mr. Chris Whetman added that an improvement would be to have a fully functioning reporting tool that will provide the summarized information.

Subcommittee Vice Chairwoman Kirkpatrick requested clarification.

Ms. Miramontes clarified that the numbers that were provided for audit are not the same numbers that are on the final financial statements and that the numbers required adjustments.

Subcommittee Vice Chairwoman Kirkpatrick asked if the discrepancy was due to the billing process.

Subcommittee Chairwoman Kelley responded that the difference was understood to be that the adjustments were made to correct for the cash balances that were on hand.

Mr. Whetman confirmed that was correct.

Subcommittee Chairwoman Kelley stated the entry seems difficult. Ms. Kelley further stated that she thought it was a little problematic last audit and wondered if there is a way to help Staff make the entry.

Ms. Miramontes stated that the assistance that could be provided would be in guidance on how to proceed.

Subcommittee Vice Chairwoman Kirkpatrick asked for clarification on the guidance parameters.

Ms. Miramontes further clarified that Eide Bailly could provide guidance on the process of calculations.

Mr. Beatty asked if the guidance could be handled in a sit-down manner to review the report detail lines and assignments before the review process was reached. Mr. Beatty further explained that the prior auditor did the entry themselves and still had errors.

Ms. Miramontes answered the firm was not allowed to be a part of the financial closing reporting process. Ms. Miramontes reiterated that training and education could be provided.

Mr. Whetman stated other options in regard to education and training.

Subcommittee Vice Chairwoman Kirkpatrick stated her dislike of material weaknesses and wanted to see the difference once training had started.

Subcommittee Chairwoman Kelley stated her experience in serving on boards and that there should be a relationship of cooperativeness between the entity and the auditors as well as, a shared goal of the most accurate financial reporting possible. Subcommittee Chairwoman Kelley further asked about prevention of errors being categorized as material weaknesses and rely on service and expertise of Eide Bailly while benefitting the ultimate goal.

Ms. Miramontes agreed that cooperation was critically important. Ms. Miramontes further stated that the process is a two-way street and that the Commission can seek guidance before the closing reporting process has begun. Ms. Miramontes stated Eide Bailly's standards are very clear.

Mr. Whetman stated that the Commission should reach out to Eide Bailly to talk through issues that arise.

Subcommittee Vice Chairwoman Kirkpatrick asked for confirmation that Eide Bailly wants to see where the double checking goes.

Ms. Miramontes confirmed.

Subcommittee Vice Chairwoman Kirkpatrick asked that if double checking was established in the process, as well as training and education, that the same issue should not occur in the future.

Mr. Whetman stated further ways for communication could be established.

Ms. Miramontes answered that this issue dealt with revenue that might not be accrued within the sixty-day time period.

Subcommittee Chairwoman stated that this process presumes that there has been some change that the Staff is able to infer and asked about the process when it is a judgement call or a difference of opinion between the entity and the auditors.

Ms. Miramontes stated that back up documentation or evidence supporting the decision should be provided to Eide Bailly.

Mr. Whetman added it should be acceptable within the standards.

Subcommittee Vice Chairwoman Kirkpatrick clarified the needs of Eide Bailly for documentation.

Ms. Miramontes confirmed the need for documentation to support the position.

Subcommittee Vice Chairwoman Kirkpatrick asked if the three entries count as one material weakness.

Ms. Miramontes stated that it dealt with the financial closing reporting and that the double check process would alleviate the entries.

Subcommittee Vice Chairwoman Kirkpatrick asked about other entities processes.

Ms. Miramontes responded that was another team.

Subcommittee Chairwoman Kelley asked about the final line regarding the information that was given to the Staff from the Controller's office and it being incorrect.

Ms. Miramontes explained how the numbers were received and what they numbers dealt with.

Subcommittee Chairwoman Kelley asked Mr. Beatty to reiterate the relative questions that would arise in the means to determine the entries are wrong.

Mr. Beatty replied that the error was discovered once the numbers were sent over by the Controller.

Subcommittee Chairwoman Kelley asked how the Commission would have known the Controller's numbers were incorrect.

Ms. Miramontes answered that with the new software, the issue would have been discovered.

Subcommittee Vice Chairwoman Kirkpatrick asked if the Commission was being penalized for the State Controller's mistake. Ms. Kirkpatrick further asked in the Commission budget had received an increase.

Mr. Beatty stated that the Commission budget had not increased.

Ms. Miramontes responded that it impacts net position and last year should match this year.

Subcommittee Chairwoman Kelley asked Mr. Beatty if the process of locating the error is as simple as described by looking at previous years.

Mr. Beatty added that if the Commission had full financial statements through the software, the Commission might have found it but without that the Commission did not have the means.

Subcommittee Chairwoman Kelley remarked that it seemed unrealistic to penalize Staff that are reliant on numbers from the Controller's office.

Mr. Whetman stated how the difference was determined.

Ms. Miramontes further clarified it was all incumbent on the financial closing process.

Mr. Whetman added that an important part of the finding is the audit recommendation.

Subcommittee Vice Chairwoman Kirkpatrick asked if the dollar amount impacted the error.

Mr. Whetman stated that was correct.

Subcommittee Chairwoman Kelley asked what the material weakness dollar threshold was.

Ms. Miramontes answered that it depended on several things but that there were several different thresholds.

Subcommittee Chairwoman Kelley asked if the Commission needed more staff, education, or a third party to review entries.

Mr. Whetman responded that he was not aware of the day to day processes of the Commission but perhaps to look at the way things are performed.

Subcommittee Vice Chairwoman Kirkpatrick inquired about the debriefing process.

Mr. Whetman reviewed the Eide Bailly debriefing process.

Ms. Miramontes redirected that the error related to the financial closing reporting process and that more staff was not needed.

Subcommittee Vice Chairwoman Kirkpatrick stated her opinion of the material weakness or error and the difficulty of reading the report.

Subcommittee Chairwoman Kelley asked Mr. Beatty for additional comments.

Mr. Beatty responded no.

Subcommittee Chairwoman Kelley stressed the importance of the shared goal and cooperation between the entity and the auditors.

Ms. Miramontes stated that there would be work done between the Commission and Eide Bailly to make the report more understandable.

F. Comments from the public. (No action may be taken on a matter raised under this item of the agenda until the matter itself has been specifically included on an agenda as an item upon which action may be taken.)

Subcommittee Chairwoman Kelley asked if there were any comments or questions from the public. There were none.

G. Comments and questions from the Commission members.

Subcommittee Chairwoman Kelley asked if there were any other comments or questions from the commission members. There were none.

H. Selection of next possible meeting date.

The next meeting is to be determined.

I. Adjournment.

The meeting was adjourned at 2:50 p.m.



Eric Witkoski, Deputy Executive Director

APPROVED:



Kara J. Kelley, Subcommittee Chairwoman