

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
NOVEMBER 8, 2012
(approved January 10, 2013)

The Board of Trustees' Finance and Audit Committee of the Las Vegas-Clark County Library District met in regular session in the Summerlin Library Conference Room, Las Vegas, Nevada, at 4:30 p.m., Thursday, November 8, 2012.

Present: Committee: M. Saunders, Chair S. Moulton
R. Ence Y. Yturralde

Trustees: K. Crear
S. Bilbray-Axelrod (via telephone)

Counsel: G. Welt

Absent: K. Benavidez, ex-officio - excused

Staff: Jeanne Goodrich, Executive Director
Fred James, Deputy Director, CFO
Floresto Cabias, Assistant Finance Director
Lynn Lucuara, Administrative Assistant

Guests: Martha Ford, Piercy Bowler Taylor & Kern
Melissa Page, Piercy Bowler Taylor & Kern

M. Saunders, Chair, called the meeting to order at 4:30 p.m.

Roll Call (Item I.) All members listed above represent a quorum.

Public Comment (Item II.) None.

Agenda (Item III.) Trustee Ence moved to approve the Agenda as proposed. There was no opposition and the motion carried.

Discussion and possible committee action regarding a recommendation to accept the Fiscal Year 2011-2012 Audit Report at the Board of Trustees' meeting on November 8, 2012. (Item IV.A.)

Deputy Director, CFO Fred James introduced Martha Ford, principal, and Melissa Page, lead auditor, of Piercy Bowler Taylor & Kern (PBTk), the District's auditors. CFO James reported it was another clean audit, with no major issues. Minor issues were addressed during the audit. As an overview, Mr. James stated the District's fund balance had increased by \$5 million; \$3 million had been projected. Revenues rose 2%, primarily due to an increase in CTX; 92% of the total budget was expended, which translated to an 8% savings; 97% of the salaries budget had been expended, and there had been savings in several other areas. All obligations had been met and funds were set aside for repayment of all of the District's outstanding debt.

Ms. Ford agreed it was a smooth audit. The Opinion Letter and Required Communications Letter had been issued, along with the Annual Financial Report. The firm had issued an unqualified Opinion Letter, as there were no findings to report.

Trustee Ence was very impressed that the funds had been set aside to repay the District's debt. He commended Mr. James and his staff on the excellent stewardship of the District's funds, especially in light of

the current economic situation. Mr. James recognized the role of the Assistant Finance Director, Floresto Cabias. Mr. James said he had worked closely with Executive Director Jeanne Goodrich on the District's cash flow management. Ms. Ford confirmed the District was in a better financial position than most local governmental agencies. Trustee Yturralde also complimented staff on their hard work. Trustee Moulton stated she was very pleased as well, especially with a growth in the ending fund balance. She had reviewed the audit and had no questions or concerns. Ms. Ford reiterated there were no significant findings in the audit.

Trustee Moulton asked how long PBTK had been the District's audit firm. Director Goodrich and CFO James said that topic was also on the agenda, as the next item for discussion.

Chair Saunders thanked staff for the great job.

Trustee Moulton moved to accept the Fiscal Year 2011-2012 Audit Report and recommend adoption of the Fiscal Year 2011-2012 Audit as presented by the auditors at the Board of Trustees' meeting on November 8, 2012. There was no opposition and the motion carried.

**Discussion and
direction to staff
regarding selection
and appointment of
the District's
auditor.**

(Item IV.B.)

CFO James explained that before the creation of the Finance and Audit Committee, staff would appoint an auditor. Now that there is a Finance and Audit Committee, it was the Committee's role to direct staff on whether to appoint an audit firm or publish a Request for Proposal (RFP). He further explained that PBTK had been the District's audit firm since fiscal year 2000. Martha Ford started as an employee of the firm, and has risen to the level of principal. She had been involved with the District's audit throughout all the years of engagement. Mr. James and Ms. Ford agreed that at the beginning, some work was needed to put internal control procedures in place. This dated back to a time of administrative transition, before Mr. James joined the District's management. All the findings were cleaned up over the subsequent two or three years, and the District began compiling its own financial statements. The auditors were now performing a true audit of the District's financial statements, as opposed to the auditors compiling the financial statements for the District.

Director Goodrich pointed out that in the prior year's audit, PBTK had identified a minor issue related to record keeping in the Human Resources department, based on a sampling that had been done of employee I-9 forms. The District's Human Resources Department has now reviewed all the related compliance issues. It had been a good recommendation for the District to review all the files and make sure they were compliant.

Mr. James stated he was very happy with the services provided by PBTK, but explained that the contract with PBTK was expiring. He asked the Committee for direction as to whether to negotiate a new contract with the firm or to publish an RFP. He also asked, if the Committee decided to publish an RFP, whether the preference was for PBTK to be invited to participate, or whether the District should make a complete switch to a different audit firm.

Trustee Moulton thought it would be wise to publish an RFP. She noted that during her time on the Clark County School District Board, she noticed there seemed to be few firms that were willing and qualified to audit governmental agencies. During the ensuing discussion, all of the Committee members agreed that though they were very happy with PBTk, as stewards of the District's finances it seemed sound to publish an RFP to avoid any implications of complicity with any one auditing firm, and also to have new people review the District's records.

Trustee Moulton asked for more information regarding the sampling process that had been referred to when discussing the issue that was found in Human Resources. Ms. Ford explained that during the course of an audit, various lists of records were requested for statistical auditing, as it was impossible to audit every individual record. The requested samples were inspected to ensure that everything was included and was correct. Trustee Moulton was unsure how Human Resources records related to an audit of the District's financial records, and it was explained that payroll, salary rates and increases and employee counts were all cross-referenced to confirm every employee, as well as their rate of pay, was authorized. Cross-checking between the two departments was another way of verifying payroll-related financial expenditures.

Ms. Ford stated that although PBTk had been the District's auditors for many years, accounting principles had changed, and PBTk's management as well as staff assigned to the District's audit had changed. In fact, both of the auditors assigned to the current audit were new to the District. Counsel Welt clarified that an RFP was not decided solely on the lowest cost proposed, but also negotiated based on the proposing firm's qualifications as an auditor of a governmental agency. In response to a question of the cost of publishing an RFP, Mr. James said the RFP process was more time-consuming than expensive. He said the last RFP was published in 2008, and PBTk was the lowest bidder as well as the most qualified.

Trustee Ence said he felt it was fair to open the RFP process up to other firms to give them an opportunity to compete. At the same time, it ensured the District was transparent in its handling of its finances and there could be no allegations of complicity with an audit firm. CFO James confirmed the decision to appoint an auditor for the next fiscal year would be decided by a vote of the whole Board of Trustees, after staff's analysis of the results of the RFP process were presented to the Finance and Audit Committee.

The Committee members agreed PBTk should be invited to participate in the RFP process. CFO James stated six firms had responded to the last RFP. He said Ms. Ford had always been part of each year's audit because the District had requested to have someone present who understood the District. At the same time, new people were part of the audit each year as well, so there was a balance between continuity and rotation of new people inspecting the records.

The Finance and Audit Committee unanimously directed staff to issue an RFP and to include Piercy Bowler Taylor & Kern in the process.

**Minutes - Board of Trustees' Finance and Audit Committee Meeting
November 8, 2012
Page 4**

**Public Comment
(Item V.)** None.

**Adjournment
(Item VI.)** Chair Saunders welcomed Trustee Crear back from her extended leave of absence, then adjourned the meeting at 4:59 p.m.

Respectfully submitted,

Michael Saunders, Committee Chair