



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Auditor-Controller
Department No.: 061
For Agenda Of: 12/13/2011
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Robert W. Geis, CPA, Auditor-Controller, 568-2100
Director(s)
Contact Info: Heather Fletcher, CPA, Audit Manager, 568-2456

SUBJECT: **Auditor's Report on the Casmalia Community Services District**

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: No

Recommended Actions:

That the Board of Supervisors: Receive and file the Auditor-Controller's Audit Report (the Audit Report) on the Casmalia Community Services District (the District) for the fiscal year ended June 30, 2010.

Summary Text:

The Audit Report was prepared under California Government Code Section 26909. The Auditor-Controller's Office could not issue an opinion on the financial statements due to a scope limitation arising from a lack of acknowledgement of management's responsibility over the accuracy of its financial information.

Background:

Special districts are responsible for operating and maintaining efficient and effective systems in compliance with applicable laws and regulations. Governing bodies and the management of public entities have a fiduciary duty to constituents to properly manage the resources of the entity. Financial accountability, compliance, and reporting provide a foundation to achieve these responsibilities.

California Government Code Section 26909 requires the County Auditor to perform an annual audit of the financial accounts and records of every special district within the County for which an audit by a certified public accountant or public accountant is not otherwise provided.

During fiscal years ended June 30, 2008 and 2009 the District was awarded over \$1 million in Federal and State funds to replace its water system. On June 24, 2008 your Board of Supervisors awarded the District \$400,000 in Community Development Block Grant Federal funds for the design and construction costs associated with the replacement of the District's water tank. On August 25, 2009, the grant award was amended to \$410,759. In December of 2008, the State Water Board awarded the County Water Agency a \$25 million State Proposition 50 implementation grant. Of the \$25 million awarded, \$631,700 was budgeted to the District replace service laterals connecting the tank to the water lines.

Federal and State funding contain restrictions and require complex accounting. A lack of knowledge related to accounting practices may lead to noncompliance with grant terms and conditions. Due to "double billing" of invoices related to the District's project, the California State Department of Finance initiated a review of the County Water Agency's grant controls and monitoring processes in February of 2010. As a result, to receive the awarded State Proposition 50 grant funds, the State required that the County Water Agency administer the grant.

At fiscal year ended June 30, 2009, the County Auditor could not issue an opinion on the District's financial statements due to uncertainties surrounding the "double billing" incident discussed above. Furthermore, the District could not provide sufficient documentation to identify and capitalize items/services that were purchased under the District's contract with a construction management firm related to the District's water system replacement project. At fiscal year ended June 30, 2010, the County Auditor could not issue an opinion on the District's financial statements due to management's inability to take responsibility for its financial information.

We recommend that the District obtain the appropriate accounting expertise to fulfill its fiduciary responsibility to its constituents. Furthermore, recommendations listed in our attached management letter should be fully implemented by the District.

Performance Measure: N/A

Fiscal and Facilities Impacts: N/A

Budgeted: N/A

Fiscal Analysis: N/A

Staffing Impacts:

Legal Positions:

N/A

FTEs:

N/A

Special Instructions:

None

Attachments:

Audit Report

Management Letter to Casmalia Community Services District

September 9, 2011 Letter from Casmalia Community Services District

Audit Report Department of Finance

Authored by: Heather Fletcher, Audit Manager

cc: Terri Stricklin, Bookkeeper, Casmalia Community Services District

Chandra Wallar, County Executive Officer

Scott McGolpin, Director of Public Works

Sharon Friedrichsen, Interim Director of Housing and Community Development