

CONTRA COSTA COUNTY GRAND JURY REPORT NO. 1003

Independent Special District Audit Practices

FINDINGS AND RECOMMENDATIONS

1. Section 26909(b) of the California Government Code required that Special Districts submit audits to both the State Controller and Contra Costa County Auditor. Sixteen Special Districts did not submit audits to both agencies. Three districts did not submit an audit to either agency.

Recommendation: Special Districts that did not submit audits to the State Controller and the Contra Costa County Auditor need to institute procedures to ensure timely submissions of future audits to these agencies.

Responses:

<i>Special District</i>	<i>Response</i>	<i>Recommendation</i>
<i>Bethel Island Municipal Improvement District</i>	<i>No Reply</i>	
<i>East Bay Regional Park District</i>	<i>Partially disagrees</i>	<i>The Park District is a multi-county special district. According to Government Code Section 26909(a)(4), a special district located in two or more districts, such as the Park District, shall file an audit report with the county auditor of the county in which the treasury is located. The Park District's treasury is located in Alameda County.</i>
<i>East Contra Costa Irrigation District</i>	<i>Disagrees</i>	<i>Contra Costa County Office of the Auditor-Controller has confirmed receipt of the District's 2009 annual report.</i>
<i>Green Valley Recreation and Park District</i>	<i>Disagrees</i>	<i>Not reasonable for a district of our size. Will make every effort to implement starting with financial audit for fiscal years 2006-2010.</i>
<i>Los Medanos Community Healthcare District</i>	<i>No reply</i>	
<i>Moraga Orinda Fire Protection District</i>	<i>Agrees</i>	<i>District financial audits have been submitted to the Contra Costa County Auditor-Controller's office every year except for 2008-2009. A copy of the 2008-2009 financial audit was sent to the County Auditor/Controller's office on July 6, 2010. The District has requested the District's auditor to send a copy of the District's completed financial audit to the County Auditor-Controller's office as a standard practice. This procedure will be incorporated into all future Auditor Letter's of Engagement.</i>

<i>Quimby Island Reclamation District #2090</i>	<i>No reply</i>	
<i>Reclamation District 2065</i>	<i>Disagrees</i>	<i>The recommendation has been implemented. It has been and will continue to be our practice to timely submit copies of its audits to both the State Controller and the Contra Costa County Auditor.</i>
<i>Reclamation District 2121</i>	<i>No reply</i>	
<i>Reclamation District 2024</i>	<i>Agrees</i>	<i>The district has in the past and intends to continue to submit annual audits to the State Controller and Contra Costa County Auditor.</i>
<i>Reclamation District 2025</i>	<i>No reply</i>	
<i>Reclamation District 2026</i>	<i>No reply</i>	
<i>Reclamation District 2137</i>	<i>No reply</i>	
<i>San Ramon Valley Fire District</i>	<i>Agrees</i>	<i>The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008 was mailed to the State Controller and Contra Costa Auditor on April 7, 2010. Procedures have been implemented to ensure timely submission of future audits by District Finance Division staff to these agencies.</i>
<i>Town of Discovery Bay CSD</i>	<i>Partially Disagrees</i>	<i>The financial statements and independent auditors' report for the year ended June 30, 2007 was mailed to the County Auditor and State Controller on May 20, 2009. The reports for the year ended June 30, 2008 were mailed to the County Auditor and State Controller April 2, 2010. The recommendation has been implemented and our district will file the audits within 12 months of the end of each fiscal year.</i>

- 2. There is no requirement that a Special District change auditors from time to time. However, to enhance accountability it is prudent that the audit firm be changed periodically. This will ensure that a “fresh set of eyes” can look at the financial compliance and health of the district. Thirty five percent of the districts have used the same audit firm for five or more years.**

Recommendation: Special Districts should change audit firms at least every five years.

Responses:

<i>Special District</i>	<i>Response</i>	<i>Recommendation</i>
<i>East Bay Regional Park District</i>	<i>Agrees</i>	<i>The Park District changes its audit firm every three to five years.</i>

<i>East Contra Costa Irrigation District</i>	<i>Agrees</i>	<i>The District has a three-year contract with its current auditing firm and will pursue a change upon the termination of that contract.</i>
<i>Green Valley Recreation and Park District</i>	<i>Disagree</i>	<i>We will make every effort to implement this recommendation starting with the financial audit for fiscal years 2006-2010 by June 30, 2011. However, we find this recommendation not reasonable for a district of our size. Our annual budget is small, approximately \$80,000. Several audit firms contacted in recent years refused our business because we are so small. We may need to use the same audit firm simply because we cannot find anyone else to do our audit.</i>
<i>Los Medanos Community Healthcare District</i>	<i>No reply</i>	
<i>Moraga Orinda Fire Protection District</i>	<i>Disagrees</i>	<i>The District used the same CPA firm to audit its financials for fiscal years 2002/2003 through 2006/2007. In 2007/2008 the District selected a new audit firm through an RFP process. The recommendation to change audit firms at least every five years will not be implemented as outlined. The Moraga-Orinda Fire District Board, as a matter of policy, may change audit firms every five years. However, when determining whether a new financial auditor is warranted the Moraga-Orinda Fire District Board will carefully consider prudent fiscal responsibilities as well as accountability.</i>
<i>Quimby Island Reclamation District #2090</i>	<i>No reply</i>	
<i>Reclamation District 2065</i>	<i>Partially disagrees</i>	<i>Even though we have used the same audit firm for several years, the actual individuals working within that firm have changed over the years and continue to change. Fresh sets of eyes have indeed looked at the financial compliance and health of RD 2065 during its engagement with its current audit firm. RD 2065 is agreeable to changing audit firms at least once every five years and has recently engaged a new audit firm to perform the audit for the year ending June 20, 2010.</i>
<i>Reclamation District 2121</i>	<i>No reply</i>	

<i>Reclamation District 2024</i>		<i>The Board of Trustees has not yet considered the matter. Although the District has had the same firm performing the annual audit for a number of years, there have been frequent changes in the individual auditors who actually perform the audit. Typically there have been two and usually three auditors on the auditing team with changes in one or more members every two to three years. Changing auditing firms will require additional District costs. There will be new letters of engagement and more staff time to help with the transition. Staying with the same auditing firm but with periodic changes in the individuals performing the audit can help maintain continuity and still include a “new set of eyes”.</i>
<i>Reclamation District 2025</i>	<i>No reply</i>	
<i>Reclamation District 2026</i>	<i>No reply</i>	
<i>Reclamation District 2137</i>	<i>No reply</i>	
<i>San Ramon Valley Fire District</i>	<i>Agrees</i>	<i>This recommendation has not yet been implemented, but will be implemented in the future. The District is currently under contract with its auditors for services through the fiscal year ending June 30, 2011. At the conclusion of the current contract, the District will issue a Request for Proposal for Audit Services and change audit firms.</i>
<i>Town of Discovery Bay CSD</i>		<i>The recommendation has not yet been implemented, but we will consider implementing this after our current audit has been finalized and approved.</i>