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Contra Costa County Grand Jury Report 1003

INDEPENDENT SPECIAL DISTRICT AUDIT PRACTICES

**TO: Contra Costa Board of Supervisors
Contra Costa County Auditor
Contra Costa County Independent Special Districts (attached list)**

SUMMARY

Section 26909(b) of the California Government Code requires special districts conduct an annual audit, unless a longer period has been approved by the Board of Supervisors. A "Special District" is an agency of the State authorized to perform governmental or proprietary functions within limited boundaries. A "Special District" does not refer to a city, county, school district or community college district.

Audit reports are to be filed with the State Controller and the Contra Costa County Auditor within 12 months of the end of the fiscal year or years under examination. The Grand Jury surveyed Special Districts regarding their audit practices. Not all Special Districts submitted copies of their audits to the State Controller and the Contra Costa County Auditor. Several districts have used the same audit firm for five or more years.

BACKGROUND

Audits of Special Districts help to assure that:

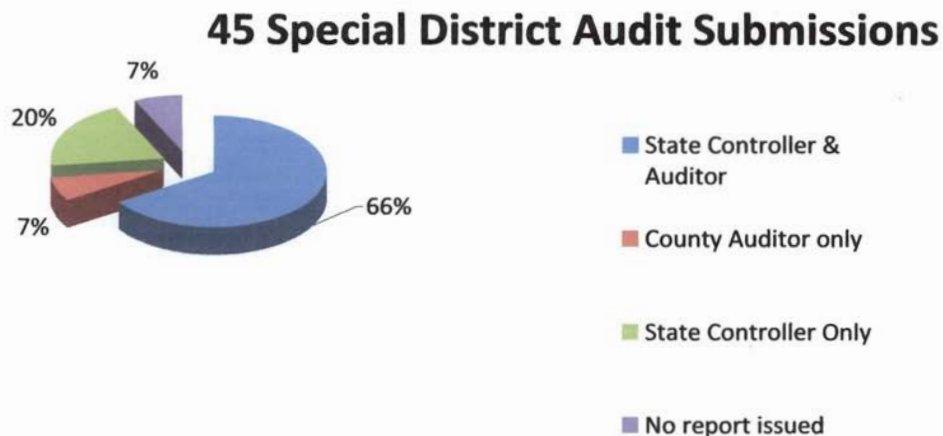
- Financial transactions are properly recorded and reporting is reliable.
- Program operations are effective and efficient.
- Special Districts are in compliance with applicable laws and regulations.
- Financial issues and material weaknesses are identified.
- Proper internal controls are in place.

SURVEY RESULTS

A survey of "Independent Special Districts," (districts with a board of directors), within Contra Costa County was conducted in September 2009 to determine compliance with Section 26909(b). Of the 52 districts contacted, 45 (86%) replied to the survey.

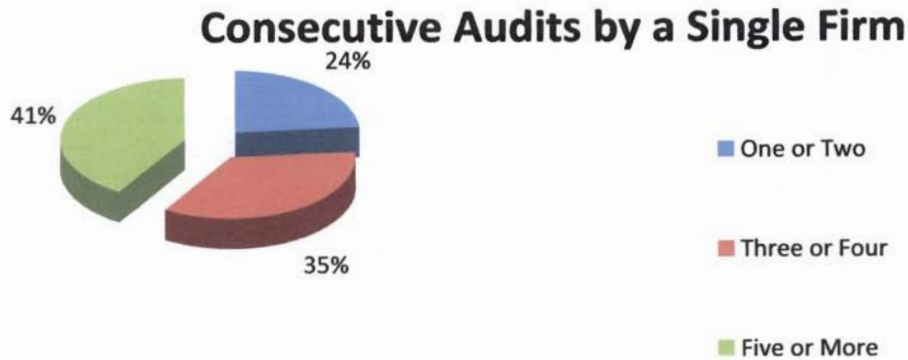
The results of the survey indicated the following:

- 42 districts submitted annual reports
- One district submitted its audit report biannually, one submitted every five years and one did not reply to this question.
- If the audit covered more than a one-year period, the longer audit period was approved by the Board of Supervisors.
- Twenty-nine (64 %) of the 45 districts submitted audits to both the State Controller and the Contra Costa County Auditor. Thirteen districts submitted audits to the State Controller or the Contra Costa County Auditor but not both. Three districts did not submit audits to either the State Controller or the Contra Costa County Auditor.



In response to an additional survey question, twenty-three districts indicated that their current audit firm had conducted the annual audit for fewer than five years. Fourteen

districts reported using the same audit firm for more than five consecutive audits. Six districts did not reply to this question.



FINDINGS AND RECOMMENDATIONS:

1. Section 26909(b) of the California Government Code requires 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.

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.

Required Responses:

Finding & Recommendation: 1

Bethel Island Municipal Improvement District
East Bay Regional Park District
East Contra Costa Irrigations District
Green Valley Recreation and Park District
Los Medanos Community Healthcare District
Moraga Orinda Fire Protection District
Quimby Island Reclamation District # 2090
Reclamation District 2020
Reclamation District 2065
Reclamation District 2121
Reclamation District 2024
Reclamation District 2025
Reclamation District 2026
Reclamation District 2137
San Ramon Valley Fire District
Town of Discovery Bay CSD

Appendix:

Independent Special District Audit Survey

Special District	Reports to State Controller	Reports to County Auditor	Consecutive Audits by Same Firm
Alamo-Lafayette Cemetery District	X	X	Did not respond
Ambrose Recreation & Park District	X	X	1-2
Bethel Island Municipal Improvement District		X	1-2
Byron Bethany Irrigation District	X	X	3-4
Byron Sanitary District	X	X	5 or more
Byron-Brentwood-Knightsen Union Cemetery District	X	X	3-4
Central Contra Costa Sanitary District	X	X	3-4
Contra Costa Mosquito & Vector Control District	X	X	3-4
Contra Costa Resource Conservation District	X	X	5 or more
Contra Costa Water District	X	X	5 or more
Delta Diablo Sanitation District	X	X	5 or more
Diablo Community Service District	X	X	1-2
Diablo Water District	X	X	5 or more
Dublin San Ramon Services District	X	X	3-4
East Bay Regional Park District	X		3-4
East Contra Costa Irrigation District			5 or more
Green Valley Recreation and Park District		X	1-2
Ironhouse Sanitary District	X	X	1-2
Kensington Fire Protection District	X	X	3-4
Kensington Police Protection & Community Services District	X	X	Did not respond
Knightsen Town Special Services District	X	X	3-4
Los Medanos Community Healthcare District		X	3-4
Moraga-Orinda Fire Protection District	X		1-2
Mt. Diablo Health Care District	X	X	5 or more
Mt. View Sanitary District	X	X	5 or more
Pleasant Hill Recreation & Park District	X	X	3-4
Quimby Island Reclamation District No. 2090	X		5 or more
Reclamation District 2020	X		Did not respond
Reclamation District 2065	X		5 or more

Special District	Reports to State Controller	Reports to County Auditor	Consecutive Audits by Same Firm
Reclamation District 2121			1-2
Reclamation District 799	X	X	Did not respond
Reclamation District 800	X	X	Did not respond
Reclamation District 830	X	X	5 or more
Reclamation District No. 2024	X	X	5 or more
Reclamation District No. 2025	X		3-4
Reclamation District No. 2026	X		3-4
Reclamation District No. 2137	X		5 or more
Rodeo-Hercules Fire District	X	X	1-2
San Ramon Valley Fire Protection District			5 or more
Stege Sanitary District	X	X	1-2
Town of Discovery Bay CSD	X		Did not respond
West County Wastewater District	X	X	1-2