

2009/10 AUDIT RESPONSE

Item	Recommendation or Comment	Response
Auditors Report	Has not adopted Post employment benefits GASBS 45	The District needs to have GASB 45 actuarial done to determine amount to reserve for future post retirement liabilities
	Did not perform physical inventory at June 30, 2010	The District has performed a physical inventory as of 6/30/11. It is being priced out for the 10/11 audit
	Outcome of allegations of fraud is unknown.	Still unknown
	Sufficient recurring losses as to question going concern	A rate increase was implemented on 5/10 to increase operational income with a 3% increase annually to keep up with inflation. Another problem is we budget on a cash basis however when Auditor's book \$350,000 in depreciation and amortization it throws us into a loss each year. We do not fund amortization or depreciation.
Foot Notes		
Note A	No approved investment policy	We need to develop this. Please provide an example
	Do not provide for an allowance for uncollectible accounts	All losses are minimal because of liens however there are numerous old hanging balances (\$10-\$20) that will be corrected.
Note D	Pledged Revenue- Where did amounts come from/?	Need to get from Auditors
Note G	District contribution to PERS where did amounts come from	Waiting for response from PERS
Internal Control Letter schedule of findings		
2010-1	Need actuarial valuation performed for GASBS 45	Actuarial still needs to be done.
2010-2	Need checklist for year closing procedures	Being developed estimated completion 3/15/12
	All balance sheet accounts need to be reconciled and account balances analyzed	Working on this proposed complete 1/31/12
2010-2a	There are unreconciled differences in AR \$5984; AP \$3417 and surcharge account (\$5444).	Due to methods of last bookkeeper AR and AP may not be able to be reconciled. Probably needs to be written off.
	Need to reconcile billing system to the GL throughout the year	This is our current practice
	Evaluate the allowance for uncollectable	See above

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	accounts throughout the year	
2010-2b	Enter all AP invoices when received	This is our current practice
2010-2c	Calculate interest payable monthly	In progress should be completed 1/31/12
	Maintain supporting documents for deferred amount on Long Term Debt	This is from 2003 will search again
2010-2d	Adjust net assets to agree with restricted cash	This will be done for 6/30/11 audit
2010-2e	Well 14 land not valued and recorded Procedures need to be developed for donated assets	Was recorded in audit will develop process
	Need procedure for donated assets	Please provide an example policy
2010-2f	Need proper procedure to track cell tower leases to insure revenue is collected	In progress plan to have completed by 2/15/12
2010-2g	Prepaid expenses not amortized-need to amortize over estimated period they are used	In progress plan to have completed by 2/15/12
2010-2h	Perform a physical inventory at least once a year	This is being done annually
2010-2i	Accruals not being performed prior to audit such as accrued water billings, liability for comp time and PERS retirement owed.	In progress plan to have completed by 1/31/12
General	Develop an accounting manual	This is being developed
2010-3a	GM should receive bank statements and review before giving to bookkeeper	This is current practice
	GM should review bank reconciliations when they are complete and sig off	This is current practice
	Board should review lists of all checks written	This is current practice
2010-3b	Signed checks should not be returned to bookkeeper	Checks are not returned to bookkeeper until both signatures are procured then returned for disbursement. Bookkeeper is not a signatory on the accounts
2010-3c	GM should review and review list of all billing adjustments and document the sign off of the review	This is current practice
2010-3d	Bookkeeper should reconcile all bank deposits to the billing register	This is current practice
2010-3e	All maintenance entries such as rate changes should be reviewed and approved by the GM	This is current practice
	GM should review the payroll registers and document the sign off	This is current practice
2010-3f	Conduct regular staff meetings to identify and resolve issues	This is current practice

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2010-4	Establish a financial reporting system	This has been established
	Prepare investment reports to comply with the Government Code	Please provide code section so we can implement.
2010-5	Develop accounting procedures for proper filing and storing of accounting documents	The District's record retention policy addresses storage and retention of records
2010-6	Maintain a capital asset listing including depreciation	The capital asset list is maintained and depreciation is noted
	Record capital asset additions and retirements and depreciation to the asset accounts, not the operating accounts	This is being done as additions and deletions occur
	Sold and retired assets should be removed from the list	These are removed from the list
	Reconcile the capital asset accounts to the General Ledger	Plan to be completed 3/30/12
	Capital asset listing should include land, donated assets and intangibles	We need to have property appraised then it will be added to the list.
2010-7	Board of Directors should approve all loans or transfers from the Surcharge account	It is not planned to need to borrow from the Surcharge fund. But if needed it would be Board approved.
	Deposit surcharge collected directly to the surcharge bank account or at least quarterly reconcile the amounts deposited to the Surcharge account	The surcharge funds are collected daily and put into the Operating account. Monthly they are transferred to the Surcharge fund. It is not practice to deposit daily as surcharge and operating funds are on the same check from customer.
2009-1	Rebalance workloads and address item 2010-3	Working on this right now. Once audits are done we are reevaluating accounting duties.
2009-2	Prepare an organization chart	This is done
2008-2	Back up all computer data	Backed up nightly to server
2008-3	Prepare an adequate reporting system – see 2010-4	This has been established
2007-2	Prepare a formal accounting and procedural manual	Working on this it is an ongoing process
December 14,2011 letter to the Board		
	Implement GASBS 45	Actuarial needs to be done
	Take periodic but at least annual physical inventories	This is current practice
	Investigate allegations of fraud	This is being done by DA, FBI & Auditor

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	Record transactions in the proper period	This is current practice
	Audit required 28 adjusting entries to correct balances	This should not be a problem in the future
Letter to the Board and Management		
	Develop a fraud prevention/whistle blower policy	Needs to be developed
	Develop a risk assessment plan and develop internal controls to mitigate	“ “
	Develop an approved investment policy as required by the Government Code	“ “
	Evaluate whether 2 and sometimes 3 employees need to be on standby on the same day.	Only 1 employee is on call on any day now.