



County of Yolo

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HOWARD H. NEWENS, CIA, CPA
Chief Financial Officer

DOUGLAS K. OLANDER, CPA
Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

625 Court Street, Room 102
PO BOX 1268
WOODLAND, CA 95776
PHONE: (530) 666-8190
FAX: (530) 666-8215
DFS @ yolocounty.org

- *Financial Strategy Leadership*
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- *Internal Audit*
- *Procurement*

January 18, 2017

Board of Commissioners
Zamora Fire Protection District
P.O. Box 166
Zamora, CA 95698

Re: Zamora Fire Protection District Report on Applied Agreed-Upon Procedures

Dear Board of Commissioners:

We have performed the procedures enumerated below, which were agreed to by the Zamora Fire Protection District, solely to assist the District in assessing the District's ability to keep adequate records to produce financial statements in accordance with generally accepted accounting principles for the period July 1, 2009 to June 30, 2014. The District's management is responsible for the accounting records. The agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The district's response is provided as an enclosure to this report.

Our procedures and results are as follows:

1. Inquire with District to follow-up on any prior year findings to document the corrective action plans.

Results: Zamora Fire Protection District had 7 prior year audit recommendations that addressed compliance issues on conflict of interest, Brown Act and internal control weaknesses. The District provided a status response for each of the prior year audit findings. The majority of the prior year findings have been partially implemented. We have included the unimplemented exceptions, as it relates to the procedures performed, within this report.

Considerations: None

2. Verify that the Special District Financial Transactions Report agrees to the official records of the district and was properly filed with the State for each fiscal year June 30, within the audit period. (*Government Code 53891*).

Results: Zamora Fire Protection District Special District Financial Transaction Report (reports) for fiscal years 2009-10 to 2013-14 were prepared by the Department of Financial Services General Accounting Division. The auditors traced the District's account balances from the general ledger to the reports and validated that the reports were transmitted to the State's file transfer protocol before the due date. Procedure performed with no exceptions.

Considerations: None

3. Verify that the district's budget and amendments were approved by the governing board and recorded in the general ledger for each fiscal year within the audit period (*Health & Safety Code 13895*).

Results: Zamora Fire Protection District budgets for fiscal years 2009-10 to 2013-14 were prepared by the District and forwarded to the Department of Financial Services General Accounting Division for further processing. The auditors traced the District's budget, as approved by the Board of Commissioners, to the general ledger and found that the district exceeded its appropriation authority for Town Hall Fund- services and supplies in the amount of \$10,374 for the fiscal year ended 2010, \$566 for 2013, and Operating Fund – salaries and benefits in the amount of \$5,500 and capital assets-equipment of \$158,100 for 2014. According to District management, the Department of Financial Services General Accounting Division has advised the district that budget overruns are corrected at year-end by the division.

Considerations: The District should consider reviewing its monthly ledgers by line item, have the Board of Commissioners approve an appropriation transfer and submit the correction to the Department of Financial Services General Accounting Division upon occurrence instead of waiting until year-end to avoid any budget overruns.

4. Review the District's board minutes to determine that significant transactions including financial contractual agreements as noted in the minutes of the district were properly recorded in the general ledger for each fiscal year within the audit period.

Results: The auditors reviewed the District's board minutes from July 2009 through June 2014 to validate transactions and proper recording within the general ledger and review the District's current internal controls and operations as it pertained to each audit procedure. Exceptions are noted at each procedure within this report.

Considerations: None

5. Review laws and regulations that may have a direct and material effect on the determination of amounts in the district's financial statements. (*Fire Protection District Law of 1987 – Health & Safety Codes/Government Codes*)

Results: The auditors reviewed a selected sample of the Fire Protection District Law of 1987 – Health & Safety and Government Codes as it pertained to each audit procedure. Exceptions are noted at each procedure within the report.

However, the Board of Commissioners had approved Resolution No. 2012-01 to establish a revolving checking account (petty cash fund) to pay monthly service bills and other incidentals. The Government Code referenced to establish the fund was incorrectly used. The maximum amount of the fund is \$500 which the board approved a balance of the fund of \$1,000 over the amount required by law.

Considerations: The District should consider reviewing the Government Code and amount of the fund to comply with the law.

6. Verify that the Board of Commissioners has adopted a schedule of fees for the cost of any service which the district provides or the cost of enforcing any regulation for which a fee is charged. (*Health & Safety Code 13916*)

Results: Zamora Fire Board of Commissioners adopted a fee schedule for the rental of the town hall that includes amounts for residents, non-residents and special organizations. The Commissioners also adopted a fee schedule for the development of new construction as in accordance with Yolo County Ordinance 1313. The auditors reviewed the fees established and verified that the amounts were approved by the Commissioners and authorized by the Health & Safety Code. However, a cost analysis (total cost of providing a service to recover only actual costs for setting fees and rates) was not available to support the reasonableness of the established fees and actual costs to provide the services.

Considerations: The District should consider reviewing its fee schedule and perform a cost analysis to ensure that the established fees are reasonable, comply with the law, and do not exceed the actual costs to provide the service.

7. Verify that the Board of Commissioners has adopted a resolution which specifies the policies and procedures governing waivers. (*Health & Safety Code 13919*)

Results: Zamora Fire Board of Commissioners adopted Resolution No. 2011-02, "Fee waiver exemptions for use of the town hall are granted by the Zamora Fire Protection District Board of Commissioners when they have determined that the group, organization, or individual making the request is providing services benefiting the Zamora Community as a whole. Each request is reviewed by the Zamora Fire Protection District Board of Commissioners on a case by case basis." Procedure performed with no exceptions.

Considerations: None

8. Verify that the Board of Commissioners has exercised their independent judgment on behalf of the interests of the entire district, held regular meetings and has not exceeded the stipend amount, if applicable. (*Health & Safety Code 13840-13857*)

Results: Zamora Fire Protection District holds regular monthly meetings. The Board of Commissioners do not receive any compensation for attending the meetings. Biannually, an exemption from adopting a Local Agency Conflict of Interest Code is filed with Yolo County Counsel and then approved by the Yolo County Board of Supervisors. The auditors validated that the District has held regular monthly meetings, that no compensation was paid to the Board of Commissioners for attending meetings, and that an exemption was filed during the years under review. Procedure performed with no exceptions.

Considerations: None

9. Perform a fluctuation analysis of all current account balances of the income statement and balance sheet comparing to prior year's actual and current year's budget within the audit period.

Results: The auditors performed a fluctuation analysis of all current account balances of the income statement and balance sheet and compared to prior year's actual and current year's budget, and investigated any variances exceeding \$5,000 and/or unusual transactions. The auditors inquired with district management and reviewed the district minutes for explanation of variances. The results are illustrated below:

- Capital Asset Replacement Fund increased by varied amounts as in accordance with District approved budget
- Development Impact Fees Fund increased with the collection of fees deposited and interest earnings
- FY 2013-14 District purchased a fire truck in the amount of \$159,100
- Accounting codes reclassified due to new accounting standards
- Restricted Fund Balance increased with the collection of town hall rental fees deposited and interest earnings

Considerations: None

10. Select a sample of revenue transactions for each fiscal year within the audit period to verify that the revenue has been properly accounted for in the District's accounting records and deposited properly within the County treasury.

Results: Zamora Fire Protection District collects rent and security deposits from Zamora residents for the rental of the Town Hall. The auditors selected 4 cash receipt transactions from each fiscal year and traced the amounts to the district's records and general ledger. The transactions were supported by rental agreements and deposited in the County treasury.

The District also collects development impact fees for any new construction within its boundaries for the acquisition of capital assets to maintain fire protection services. The auditors selected 63% of the revenue transactions collected for development impact fees and traced the transactions to the district records and general ledger. The following exceptions were noted:

- 1) Documentation to determine fee amount was not supported in the district records;
- 2) Fire Mitigation Fee Annual report required under Yolo County Ordinance 1313, Section 3-16 Fire District Development Impact Mitigation Fees, was not filed with the Yolo County Clerk of the Board of Supervisors for all fiscal years under review.

Furthermore, the District does not have written procedures for collecting, recording and reconciling collections for Town Hall and development impact fees.

Considerations: The District should consider reviewing the Yolo County Ordinance 1313 and the development fee account balance to ensure that the unexpended or uncommitted portion of the funds meet the purpose for providing capital facilities and equipment for fire protection services or determine if a refund amount is warranted. In addition, the District should contact the Yolo County Clerk of the Board of Supervisors for any required reporting not submitted.

Moreover, the District should document their cash handling and reconciling procedures as in accordance with the Yolo County Cash Accounting Manual, best practices and the COSO 2013 framework of system of control.

11. Select a sample of expenditures from the District's general ledger to verify the appropriate use for each fiscal year within the audit period.

Results: The auditors selected a sample of expenditure transactions from the general ledger and verified that the transactions were reasonable based on the purpose of the District, authorized by the Board of Commissioners or other authorized official, and supported by adequate documentation for audit purposes. All expenditure transactions agreed to the district records; except for, 2 transactions where insufficient documentation was provided to support the payment to the vendor.

In addition, the District has had a contract agreement with the District Secretary, as an independent contractor, since 2008. The District Secretary collects payments, records payments

onto a cash receipts journal, makes deposits into the County treasury and provides financial reports to the Board of Commissioners that exhibits an employee-employer relationship.

Considerations: The District should consider reviewing the claim for payment before submitting documents to the Department of Financial Services to ensure payment is supported by a detailed statement of the sum for amount of goods or services provided i.e. third-party invoice; paid sales slip.

Additionally, the District should refer to the Internal Revenue Service code regarding the criteria of an independent contractor relationship to ensure that the district has not misclassified an employee-employer relationship. Furthermore in regards to proper segregation of duties, the District should ensure that the duties performed by the District Secretary conform to best practices and the COSO framework 2013 system of control, which includes segregation of key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

12. Review the last meeting minutes of each fiscal year as well as one other meeting within the audit period to verify that the meeting held was regular, open and public, the agenda was posted 72 hours prior to the meeting, and all discussions were posted to both the agenda and the meeting minutes. (*Government Code 54950-54963*)

Results: The auditors examined 9 agendas and meeting minutes. The agenda notices were publicly noticed at the Zamora Fire Station, 33715 First Street, Zamora, California and posted within 72 hours prior to the meetings. Quorum was met as required by the code. The meeting minutes agreed to the agenda items; except for, 2 meetings where the board approved actions not appearing on the posted agendas.

Considerations: The District should consider reviewing the Brown Act to ensure compliance with the law.

Observations

During our review we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and considerations, all of which have been discussed with district management, are intended to improve internal control or result in other operating efficiencies and are described in a separate letter to the Zamora Fire Protection District Board of Commissioners dated January 18, 2017.

We were not engaged to, and did not; conduct an audit, the object of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such as opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is prepared for use by the Zamora Fire Protection District Management, the Board of Commissioners, Department of Financial Services and Yolo County Board of Supervisors. However, it may be distributed to other interested parties.

We appreciate the timely and professional responses provided by the district's management and the Board of Commissioners to our requests for information.

Sincerely,



Mary E. Khoshmashrab, MSBA, CPA
Internal Audit Manager
County of Yolo

Enclosure (2)

cc: Supervisor Duane Chamberlain, Yolo County District 5
Patrick Blacklock, Yolo County Administrator
Howard Newens, CIA, CPA, Yolo County, Chief Financial Officer

Schedule of Prior Year Findings

Summarized below is the current status of all audit findings reported in the Zamora Fire Protection District Final Agreed Upon Procedures report dated October 25, 2010:

Finding Title	Finding Description	Status of Corrective Action
Accountability over collections for the rental of the town hall	Maintain inventory log of all used, unused and voided receipts; include district's name and address on cash receipts; reconcile receipts to revenue ledgers; provide the board with a treasurer's report and list of scheduled events; keep copy of rental agreements on file; and sign a form to transfer accountability of cash	Implemented
Payments held for cleaning/damage deposits	Establish a temporary account for cleaning/damage deposits and develop a policy and procedure for the monitoring of the temporary account and the issuance of refunds	Partially Implemented
Contractual arrangement	Have a written agreement on file with the district secretary for duties performed as an independent contractor	Implemented
Potential conflict of interest	Removed by auditor	Not applicable
Brown Act Compliance	Consult with legal counsel for advise on brown act compliance for actions taken by board not in a regular meeting and certifying agendas	Partially Implemented
Procedures on handling cash collections	Develop written procedures for collecting, recording and reconciling collections for the Town Hall and development impact fees	Not Implemented
Endorsement of checks	Purchase a stamp to endorse checks immediately upon receipt from the customer to avoid misappropriation of checks	Partially Implemented
Observations and recommendations 1. Copy of the approved budget(s) were not retained 2. Template used to prepare agenda	Retain copy of budget for district records and audit purposes and review agenda before posted	Implemented