



EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE
AGENDA STATEMENT
MEETING DATE – Wednesday January 27, 2016

SUBJECT: 2016 Finance Committee Work Plan and 2015 Finance Committee Accomplishments

Report Prepared by: Debra Auker, Acting Assistant General Manager of Finance & Management Services

ATTACHMENT: 2016 Finance Committee Work Plan

RECOMMENDATION: This item is for information only.

DESCRIPTION:

Finance staff welcomes Director Dennis Waespi as the new Chairperson of the Board Finance Committee, Director Diane Burgis as a first time member, and Director Ayn Wieskamp in her continuing role as member of the Committee.

This item will review the accomplishments of the prior year and establish the work plan for the current year in order to meet the objectives stated in the Board Operating Guidelines. The 2016 Board Finance Committee Work Plan is attached. It includes the dates, topics and speakers planned at this point. Additional items may be added to the Finance Committee's agenda as required.

2015 Finance Committee Accomplishments

The Board Finance Committee held ten meetings during the 2015 calendar year. The Committee reviewed items as listed below, and recommended, as appropriate, items for Board consideration:

- Annual review of District Investment Policy
- 2015 Quarterly Investment Reports
- 2015 Quarterly Financial Reports
- 2014 Comprehensive Annual Financial Report (CAFR)
- 2015 Mid-year Budget Review and Amendments
- 2016 Proposed Budget and Appropriation Limit
- 2015 Risk Management Report
- 2015 Closure of Completed Capital Projects Report
- 2015 Internal Audit Plan and 2014 Internal Audit Results
- 2015 Risk Management Report
- 2015 Beacon Economics Forecast
- 2016 Measure CC Expenditure Plan
- 2015/2016 Tax Levy for General Obligation Bond Debt Service and Assessed Valuation Update
- OPEB Actuarial Report and Valuation Analysis
- Update related to Retirement Plans

- Update on Disposal of Fixed Assets over \$25,000
- Update on CalPERS Actuarial Valuation Issues
- Formation of Community Facilities Districts
- Banking Contract Extension
- Affordable Care Act Reporting/Monitoring Service Provider
- Proposal to Establish a Pension Trust to Pre-fund CalPERS Pension Obligations
- Updates from the District's Investment Managers, PFM Asset Management and Insight Investments (formerly Cutwater)

2016 Finance Committee Work Plan

The 2016 Finance Committee Work Plan is a planning document and is designed to confirm the review of certain financial transactions by the Board Finance Committee on an annual basis in accordance with the Board Operating Guidelines. Staff is prepared to answer any questions related to the work plan and the role of the committee.

The following are Finance related responsibilities as outlined in the Board Operating Guidelines:

Section 11(B.3.)

The Treasurer shall chair the Board Finance Committee, be responsible for overseeing the investment policies, and ensure the borrowing of funds is in conformance with Board policy and the Public Resources Code. The Treasurer shall review the weekly check registers. If both the President and Vice President are absent or unable to act, the Treasurer shall perform all the duties of the President. The Treasurer shall see that the Chart of Accounts is appropriate to the needs of the District and in accordance with the State of California Uniform Accounting System for Special Districts to the extent practicable.

Section 11 (C.2.)

CFO/Controller and Clerk of the Board: The Board shall appoint the CFO/Controller of the District to perform the duties of the Treasurer and the Clerk of the Board to perform the duties of the Secretary, except for those specific acts reserved by law to the Board member serving as Treasurer or Secretary.

Section 11 (D.1.b)

Finance Committee is chaired by the Treasurer and shall be primarily responsible for job clarification area #3: Long-Range Financial Planning (see Section III below).

Section III (3)

BOARD ROLE IN MONITORING FINANCES AND LONG-RANGE FINANCIAL PLANNING

The Board is responsible for the acquisition, development, and operation of District lands. These responsibilities require the monitoring, review, and approval of financial decisions and actions, budget proposals and performance, and operating plans and performance. This area of activity is primarily the responsibility of the Board Finance Committee.

RESPONSIBILITIES:

METHOD OF IMPLEMENTATION:

<p>a. Review District budgets and capital improvement programs to ensure allocation of resources in accordance with established policies, and recommend to the full Board. Provide for Board monitoring of fiscal activities.</p>	<p>Annual Budget process. Board Operating Guidelines Section VIII. Resolution of the Board required.</p>
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RESPONSIBILITIES:	METHOD OF IMPLEMENTATION:
b. Review bond issues, bank loans, and other forms of debt financing and recommend to the full Board.	Resolution of the Board required.
c. Review significant budget changes and contract commitments and recommend to the full Board.	Resolution of the Board required. Board Operating Guidelines Section VIII.
d. Review departmental goals and objectives as part of the overall District budget development process. Recommend to the full Board.	Budget process. Board Operating Guidelines Section VIII. Resolution of the Board required.
e. Provide review and oversight of the financial reporting process, internal controls, and the independent audit of financial statements, including review and recommendation to the full Board of Directors the quarterly unaudited financial statement, quarterly budget to actual report, the internal audit plan, and the Comprehensive Annual Financial Statements.	Following the completion of the District fiscal year, cause to be rendered and duly published, a verified Certified Public Accountant or verified Public Accountant's audit of the financial condition of the District, showing particularly the disbursements and receipts and balances of liabilities and assets for the preceding fiscal year. Resolution of the Board required.
f. Review and recommend for approval of the full Board of Directors the annual District's (pooled cash) investment policy and quarterly investment reports.	Resolution of the Board required.
g. Review and recommend for approval of the full Board of Directors the bi-annual actuarial reports related to the District's OPEB trust, the EBRPD Retirement Plans, as well as the annual report related to CalPERS Actuarial Issues.	Resolution of the Board required.
h. Review long-range financial plans for parkland acquisition, development, and operation and recommend to the full Board.	Long-range projections. Resolution of the Board required.

The Board Finance Committee meetings are held monthly, on the fourth Wednesday of each month at 12:30 pm at the District Headquarters Board Room in Oakland, unless otherwise noticed.

Please see the District website for agendas at <http://www.ebparks.org/about/meetings>

EAST BAY REGIONAL PARK DISTRICT 2016 Finance Committee Work Plan

Outside Speakers Highlighted

Wednesday, January 27, 2016

- 2016 Finance Committee Work Plan and 2015 Finance Committee Accomplishments (AGM Auker/CFO Zenoni)
- 2016 Investment Policy Review (CFO Zenoni)
- 2016 Internal Audit Work Plan and Final 2015 Internal Audit Results (Audit Manager Sumner)
- 2016 Financial Audit Planning (Accounting Manager Balingit)

Wednesday, February 24, 2016

- Proposed Update to Board Operating Guidelines – Purchasing and Contracting (CFO Zenoni)
- Property and Earthquake Coverage Renewal (Risk Department)
- Fourth Quarter 2015 Preliminary Unaudited General Fund and Other Governmental Funds Financial Reports (AFO Spaulding)
- December 31, 2015 Investment Report (CFO Zenoni)
- Authorization to write-off Accounts Receivable greater than \$25,000 (Accounting Manager Balingit)

Wednesday, March 23, 2016

- Investment Portfolio Performance and Current Market Review (Investment Advisor- PFM)
- CalPERS Pension Actuary Update (Actuary-Bartel)
- Irrevocable Pension Trust (CFO Zenoni)

Wednesday, April 27, 2016 (Discuss possible date change?)

- Review of Bond Proceeds/Project Funds (Budget Manager Burnor)

Wednesday, May 25, 2016

- 2015 Draft Comprehensive Annual Financial Report (CAFR) (Auditors-VTD)
- 2015 Audit Management Letter (CFO Zenoni)
- 2015 Completed Project Closures (Budget Administrative Analyst Vargas)
- 2017 Budget Calendar (Budget Manager Burnor)
- First Quarter 2016 Unaudited General Fund and Other Governmental Funds Financial Reports (AFO Spaulding)
- March 31, 2016 Investment Report (CFO Zenoni)

Wednesday, June 22, 2016

- Retiree Medical (OPEB-CERBT) Update (CalPERS)
- EBRPD Retirement Plan Portfolio Update (Investment Advisors-Milliman)
- Annual Risk Management Report (Risk Department)
- 2016 Measure CC Expenditure Plan (AFO Rasmussen)

Wednesday, July 27, 2016

- Grants Update (Grants Manager Margulici)

Wednesday, August 24, 2016

- Investment Portfolio Performance and Current Market Update (Investment Advisors-Insight)
- 2016/2017 Tax Levy Amount for General Obligation Bonds Debt Service and Assessed Valuation Update (CFO Zenoni)
- Second Quarter 2016 Unaudited General Fund and Other Governmental Funds Financial Reports (AFO Spaulding)
- June 30, 2016 Investment Report (CFO Zenoni)
- 2016 Mid-year Budget Report and Requested Adjustments (Budget Manager Burnor)
- 2016 Mid-year Update on Internal Audit Projects (Audit Manager Sumner)

Wednesday, September 28, 2016

Currently no agenda items

Wednesday, October 26, 2016

- Beacon Economics Report (AFO Spaulding)
- 2017 Preliminary Operating Budget (Budget Manager Burnor)

Wednesday, November 23, 2016 (reschedule?)

- 2017 Proposed Budget Recommendation (AGM Auker/Budget Manager Burnor)
- 2017 Appropriation Limit Review (Budget Manager Burnor)
- Third Quarter 2016 Unaudited General Fund and Other Governmental Funds Financial Reports (AFO Spaulding)
- September 30, 2016 Investment Report (CFO Zenoni)

December, 2016

No meeting

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EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE
AGENDA STATEMENT
MEETING DATE –Wednesday, January 27, 2016

SUBJECT: District’s 2016 Investment Policy Review and Update on Investment Strategy

Report Prepared by: Bill Zenoni, Interim Chief Financial Officer

ATTACHMENT: 2016 Investment Policy (with proposed changes in red)

RECOMMENDATION: Review the 2016 Investment Policy, and direct staff to prepare the information for acceptance by the Board of Directors.

DESCRIPTION:

Investment Policy

The investment of District funds is governed by Section 53600 of the California Government Code and Section VIII (K) of the Board’s Operating Guidelines. In accordance with Board policy, the Finance Committee annually reviews, and recommends for Board approval, the District’s Investment Policy. The 2015 Investment Policy was reviewed by the Finance Committee on January 28, 2015 and approved by the Board of Directors on February 17, 2015. Staff has reviewed the current Investment Policy with both of the District’s investment managers (Public Financial Management (PFM) and Insight Investments (formerly Cutwater)). Based upon that review, two amendments to the current investment policy are recommended to reflect changes to the California Government Code. The proposed changes are noted in red on the attached draft Investment Policy and include the following:

- 1) The addition of “Supranationals” as a permitted investment as provided in Section 53601(q) of the California Government Code as amended effective January 1, 2015. The amendment to the Government Code permits local agencies to invest in the senior debt obligations of three supranational issuers which are headquartered in the United States - the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC) and the Inter-American Development Bank (IADB). Supranationals are multilateral lending institutions that provide development financing, advisory services and other financial services to their member countries to promote improved living standards through sustainable economic growth. To qualify as a permitted investment, the supranational must be denominated in U.S. dollars, have a credit rating of “AA” or better by a Nationally Recognized Statistical Rating Organization (NRSRO) and may not exceed 30 percent of the District’s investment portfolio. This proposed change is reflected on page 8 (Section 9.12) and page 15 (Glossary of Investment Terms and Instruments.) of the 2016 draft Investment Policy.

- 2) The current Investment Policy states that the District will not invest in instruments whose maturities exceed five years at the time of trade settlement. In accordance with the provisions of Section 53601 of the Government Code, it is recommended that language be added to the District's Investment Policy which provides flexibility for an investment maturity beyond five years for a specific purpose if approved by the Board of Directors at least three months before the investment is made. This proposed change is reflected on page 9 (Section 12) of the 2016 draft Investment Policy.

Investment Strategy

As noted in the Investment Policy, the District policy is to invest idle funds in a prudent manner, providing the highest yield with the maximum security of principal invested, while also meeting the daily cash flow requirements of the District. The District's portfolio is a mix of short-term and long-term investment options which staff analyzes regularly with our investment advisors. To meet short-term cash flow needs, the District utilizes the California Asset Management Program (CAMP) and the State Local Agency Investment Fund (LAIF). Because of the need to have funds available for immediate (same day) withdrawal, the yield provided by these pooled investment funds is typically less than on longer-term investments. As of December 31st, the yield on CAMP funds was 0.31% and the yield on funds invested with LAIF was 0.37% compared to a two year treasury yield of 1.1%. Also, the California State Treasurer increased the LAIF deposit limit from \$50 million to \$65 million effective January 1, 2016. CAMP does not currently have a deposit limit.

Staff is currently working with the District's investment managers to develop cash flow projections and update our investment strategy, within the Investment Policy guidelines, to ensure that idle funds are invested in the most effective manner. The result of this analysis will most likely be a reduction in the amount of funds invested with CAMP/LAIF and a corresponding increase in longer-term investments with a slight increase in interest earnings. This investment strategy update is provided for information purposes only. No action by the Finance Committee is required.

RECOMMENDATION

Staff requests that the Finance Committee recommend to the full Board approval of the 2016 Investment Policy for District funds.

EAST BAY REGIONAL PARK DISTRICT
2016 INVESTMENT POLICY

1. PURPOSE & POLICY

- 1.1 The purpose of this Investment Policy for the East Bay Regional Park District (the District) is to provide guidance and direction for the prudent investment of District funds, and to foster the creation of a systematic and controlled investment process. The ultimate goal is to maximize the efficiency of the District's cash management system, and to enhance the economic status of the District while protecting its pooled cash. The initial step toward a prudent investment policy is to set out a clear statement of fundamental investment direction.
- 1.2 The District policy is to invest public funds in a prudent manner, providing the highest yield with the maximum security of principal invested, while also meeting the daily cash flow requirements of the District. Also, the District's policy is to conform to all applicable federal, state and local statutes governing the investment of public funds.

2. SCOPE

This Investment Policy applies to all financial assets of the District excluding: (a) retirement funds held by trustees, but accounted for in the District's general ledger as a trust fund; (b) OPEB funds held by trustees, but accounted for in the District's general ledger as a trust fund, (c) employee deferred compensation funds held in a trust and not considered financial assets of the District, and; (d) bond proceeds, the investment of which shall be governed by the provisions of the related bond indentures or resolutions. Financial assets are reported in the District's Comprehensive Annual Financial Report, and are accounted for in the following funds:

General Fund
Special Revenue Funds
Capital Project Funds
Debt Service Funds
Internal Service Funds
Permanent Funds
Any new fund created by the District unless specifically exempted.

3. PRUDENCE

The standard of prudence to be used for managing the District's investment program is California Government Code Section 53600.3, the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

Investment officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market risk, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. RISK TOLERANCE

The District recognizes that investment risks can result from issuer defaults, or various technical complications leading to temporary illiquidity.

- 4.1 Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in high grade securities and diversification.
- 4.2 Market risk, defined as market value fluctuations due to overall changes in market price and rate, shall be mitigated by maintaining appropriate diversification of assets.
- 4.3 Interest rate risk, defined as market value fluctuations due to changes in interest rates, interest rate spreads, or the shape of the yield curve, shall be mitigated by maintaining an appropriate duration strategy and diversification of maturities.
- 4.4 Custodial credit risk, defined as the risk of loss due to the failure of the custodian, shall be mitigated by prudent custodian selection procedures and requirements, as described in section 14 of this Policy.

5. Objectives

The District strives to maintain in its investment portfolio 100% of all idle funds, given daily and projected cash flow needs. The District's funds shall be invested in accordance with all applicable District policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

- 5.1 **SAFETY.** The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of those amounts. Safety of principal is the foremost objective of the District's investment program, followed by liquidity and yield. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The District only operates in those investments that are considered very safe. Also, safety is ensured by diversification, which is required in order that potential losses on individual securities do not exceed income from the remainder of the portfolio.
- 5.2 **LIQUIDITY.** Liquidity refers to the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest. The District's investment portfolio shall remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated. The District will maintain an adequate percentage of the portfolio in liquid short-term securities that can be converted to cash, if necessary, to meet disbursement requirements. This need for investment liquidity may be tempered to the extent the District is able to issue short-term notes to meet its operating requirements. However, in the absence of

a Debt Issuance Policy approved by the Board of Directors, there should not be a reliance on short-term borrowing to provide liquidity.

- 5.3 YIELD/RETURN. The portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio, and state and local laws, regulations and resolutions that restrict the placement of short-term funds.
- 5.4 ENVIRONMENTAL RESPONSIBILITY. The District will not knowingly invest in firms that engage in activities deleterious to the environment.
- 5.5 PUBLIC TRUST. All participants in the investment process shall act reasonably as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject and open to public scrutiny and evaluation. The overall program shall be designed and managed with the degree of professionalism required to be worthy of the public trust.

6. DELEGATION OF AUTHORITY

Management responsibility for the District's investment program is delegated annually by the District's Board of Directors to the Chief Financial Officer/Controller, who shall establish procedures for the operation of the investment program, consistent with this Investment Policy. Such procedures will include appropriate delegation of authority to persons responsible for investment transactions. No person may engage in investment transactions except as provided under the terms of this Investment Policy, and the procedures established by the Chief Financial Officer/Controller. The Chief Financial Officer/Controller is hereby delegated the authority from the Board of Directors to:

- 6.1 Enter into agreements with the District's depository in order to enable the Chief Financial Officer/Controller, or his/her designee to execute investment transactions that will involve charges and credits to the District's bank accounts.
- 6.2 Enter into banking arrangements with a third party bank trust department to facilitate the third-party safekeeping of District investments.
- 6.3 Establish operating procedures as deemed appropriate to operate an investment program consistent with this Investment Policy.

Upon the recommendation of the Chief Financial Officer/Controller, the Board of Directors may engage the support services of outside investment advisors with respect to the District's investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the District's financial resources.

7. ETHICS AND CONFLICT OF INTEREST

- 7.1 The Chief Financial Officer/Controller and all personnel responsible for authorizing the purchase of investments shall refrain from personal business activities that could conflict with proper execution of the investment program and/or which could impair their ability to make impartial investment decisions.

The Chief Financial Officer/Controller and all responsible personnel shall disclose to the Board of Directors and the General Manager any material financial interests in any financial institutions that conduct business with the District that could be related in a conflicting manner to the performance of the District's investment portfolio.

- 7.2 The Chief Financial Officer/Controller and all investment personnel, designated by the Chief Financial Officer/Controller shall file a Statement of Economic Interests each year as required by California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

8. AUTHORIZED BROKER/DEALERS

8.1 The Chief Financial Officer/Controller shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the District to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the California Commissioner of Corporations as required by Section 25210 of the California Corporations Code. The firms they represent must:

- a. be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within its holding company structure, or
- b. report voluntarily to the Federal Reserve Bank of New York, or
- c. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

8.2 When purchasing investments, broker/dealers located in Alameda and Contra Costa Counties will be considered when possible provided that their offerings are competitive and meet the criteria established by this Investment Policy.

8.3 Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent audited financial statements. The registration status and standing of all brokers/dealers shall be verified with the Financial Industry Regulatory Authority (FINRA) or other applicable regulatory organizations.

8.4 If the District has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the District.

9. AUTHORIZED AND SUITABLE INVESTMENTS

All investments and deposits of the District shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. Although the following includes authorized investments, the Chief Financial Officer/Controller shall determine the extent to which they are suitable based upon this Investment Policy and the resources used by the Chief Financial Officer/Controller in implementing it.

Limitations identified in the following sections shall be adhered to and the percentage limits and credit criteria shall be measured against portfolio value on the date the investment is purchased. In the event of a credit downgrade below the minimum acceptable credit rating, the District shall require investment advisors engaged in the investing of District funds to notify District staff of the downgrade, and provide a plan of action to address the downgrade:

9.1.a. United States Treasury bills, notes, bonds, or strips with a final maturity not exceeding five years from the date of trade settlement. There is no limit on the percentage of U.S. Treasury obligations that may be held in the District's portfolio.

9.1.b. Federal Agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or U.S. government-sponsored enterprises with maturities not exceeding five years from the date of trade settlement. The aggregate investment in securities authorized in this section shall not exceed 75% of the District's portfolio.

9.2 Eligible Banker's Acceptances with a maturity not exceeding 180 days from the date of trade settlement, drawn on or accepted by a FDIC insured commercial bank with combined capital and surplus of at least \$250 million, rated at least A-1 or the equivalent by a nationally recognized statistical rating organization (NRSRO) at the time of purchase and whose senior long-term debt is rated at least A or the equivalent by a NRSRO at the time of purchase. No more than 5% of the District's total portfolio shall be invested in banker's acceptances of any one issuer, and the aggregate investment in banker's acceptances shall not exceed 40% of the District's total portfolio.

9.3 Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated A or higher by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated at least A-1 or the equivalent, by a NRSRO.

No more than 5% of the District's total portfolio shall be invested in the commercial paper of any one issuer, and the aggregate investment in commercial paper shall not exceed 25% of the District's total portfolio. Moreover, the District shall not purchase more than 10% of the outstanding commercial paper of any single issuer.

9.4 Non-negotiable certificates of deposit with a final maturity not exceeding five years and shall meet the conditions in either paragraph (a) or paragraph (b) below:

(a) Certificates of deposit shall meet the requirements for deposit under California Government Code Section 53630 et. seq. To be eligible to receive District deposits, the financial institution must meet the requirements of California Government Code Section 53635.2. Deposits are required to be collateralized as specified under California Government Code Section 53630 et. seq. The Chief Financial Officer/Controller, at his or her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The District shall also have a signed agreement with the depository per California Government Code Section 53649.

(b) Certificates of deposit placed through a deposit placement service shall meet the requirements of Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance.

No more than 5% of the portfolio shall be held in any one deposit or allocated to any one issuer, and the aggregate investment in non-negotiable certificates of deposit and negotiable certificates of deposit shall not exceed 30% of the District's total portfolio.

9.5 Negotiable Certificates of Deposit with a final maturity not exceeding five years issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally- or state-licensed branch of a foreign bank. Negotiable CD issuers must be rated at least A or the equivalent by two NRSROs.

No more than 5% of the portfolio shall be held in any one deposit or allocated to any one issuer, and the aggregate investment in non-negotiable certificates of deposit and negotiable certificates of deposit shall not exceed 30% of the District's total portfolio.

9.6 Repurchase Agreements with a final termination date not exceeding 30 days collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities listed in Section 9.1 above with the maturity of the collateral not exceeding ten years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the District's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the District's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with broker/dealers who are recognized as Primary Dealers with the Federal Reserve Bank of New York or

with firms that have a primary dealer within their holding company structure. Repurchase agreement counterparties shall execute a District approved Master Repurchase Agreement with the District. The Chief Financial Officer/Controller shall maintain a copy of the District's approved Master Repurchase Agreement along with a list of the broker/dealers who have executed same.

- 9.7 State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. There is no limit on the percentage of LAIF that may be held in the District's portfolio. LAIF investments are subject to statutory limits.
- 9.8 California Asset Management Trust (CAMP), as long as the portfolio is rated among the top two rating categories by a NRSRO. There is no limit on the percentage of CAMP that may be held in the District's portfolio.
- 9.9 Medium Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States with a final maturity not exceeding five years from the date of trade settlement. These notes must have a rating of at least "A" or the equivalent by a NRSRO. No more than 5% of the District's total portfolio shall be invested in medium term notes of any one issuer, and the aggregate investment in medium term notes shall not exceed 30% of the District's total portfolio.
- 9.10 Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized by state statute and (4) have attained the highest ranking or the highest letter and numerical rating provided by at least two NRSROs, or retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five year's experience managing money market mutual funds with assets under management in excess of \$500 million dollars. No more than 10% of the District's total portfolio shall be invested in money market funds of any one issuer, and the aggregate investment in money market funds shall not exceed 20% of the District's total portfolio.
- 9.11 Municipal bonds that are listed below with a final maturity not exceeding five years from the date of trade settlement and that must be rated at least "A" or the equivalent by a NRSRO at the time of purchase. No more than 5% of the District's total portfolio shall be invested in any single issuer, and the aggregate investment in municipal bonds shall not exceed 30% of the District's total portfolio.
 - (a) Bonds issued by the District, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the District or by a department, board, agency, or authority of the District.
 - (b) Registered state warrants or treasury notes or bonds of the state of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(c) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(d) Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

9.12 Supranationals which are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA," its equivalent, or better by at least one NRSRO.

Purchases of supranationals shall not exceed 30 percent of the investment portfolio of the District.

10. PROHIBITED INVESTMENTS

In accordance with Section 53601.6 of the California Government Code, the District shall not invest any funds in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages (Collateralized Mortgage Obligations) or in any security that could result in zero-interest accrual if held to maturity.

11. INVESTMENT POOLS

The District allows investments in two public agency investment pools: LAIF and CAMP (per sections 9.7 and 9.8). Although these pools are long-standing, the Chief Financial Officer/Controller will periodically require from each pool, information which will demonstrate operating information and may include the following information:

- A written statement of investment policies and objectives.
- A description of interest calculations, how they are distributed, and how gains and losses are treated.
- A description of how securities are safeguarded (including the settlement process), and how often the securities are priced and the program audited.
- A schedule for receiving statements and portfolio listings.
- A statement regarding whether and how reserves or retained earnings are used by the pool.
- A description of who may invest in the program, how often, and what are the sizes and timing of deposits and withdrawals.
- A fee schedule and how and when fees are assessed.

- A statement of whether the pool is available for bond proceeds, and will it accept such proceeds.

12. MATURITY

The District will not invest in instruments whose maturities exceed five years at the time of trade settlement unless the Board of Directors has provided approval for a specific purpose at least three months before the investment is made. The Chief Financial Officer/Controller shall be responsible for determining and monitoring an average maturity which meets the District projected cash flow requirements and shall be reported to the Board of Directors as required under State Law.

13. SELECTION OF DEPOSITORIES

The Chief Financial Officer/Controller shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the District. To be eligible, a bank must qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

14. SAFEKEEPING & CUSTODY

The Chief Financial Officer/Controller shall select one or more banks to provide third-party safekeeping and custodial services for the District, in accordance with the provisions of Section 53608 of the California Government Code. A Safekeeping Agreement approved by the District shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. Custodian banks will be selected on the basis of their ability to provide services for the District's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities , except non-negotiable certificates of deposit, money market funds, LAIF and CAMP, purchased by the District will be delivered by book entry and will be held in third-party safekeeping by a District approved custodian bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the District shall be held in the Federal Reserve System in a customer account for the custodian bank which will name the District as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for the District as "customer."

15. DIVERSIFICATION

The District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the District's anticipated cash flow needs.

16. REPORTING

Quarterly, the Chief Financial Officer/Controller shall submit to the Board of Directors and the General Manager a report of the investment earnings and performance results of the District's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the District;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. Current period earnings and rates of return for short-term and mid-term investments, including comparison to established benchmarks.
5. A statement of compliance with this Investment Policy or an explanation for non-compliance; and
6. A statement of the District's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

17. INTERNAL CONTROLS

The Chief Financial Officer/Controller shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the District. Controls deemed most important include: control of collusion, segregation of duties, separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, written confirmation of telephone transactions, documentation of transactions and strategies and code of ethical standards. These controls will be reviewed on an annual basis by the General Manager.

18. PERFORMANCE STANDARDS

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the District's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average effective maturity. When comparing the performance of the District's portfolio, its rate of return will be computed net of all fees and expenses.

19. REVIEW, ADOPTION & AMENDMENTS

This Investment Policy shall be reviewed and adopted annually by resolution of the Board of Directors. It may not be altered, amended or changed in any particular way, except by formal resolution of the Board of Directors.

GLOSSARY OF INVESTMENT TERMS AND INSTRUMENTS

Term	Description
Banker's Acceptance	Normally, a short-term bill of exchange that is accepted as payment by banks engaged in financing trade of physical assets or merchandise.
Benchmark	A passive index used to compare the performance, relative to risk and return, of an investor's portfolio.
Bond	A debt obligation of a firm or public entity. A bond represents the agreement to repay the debt in principal and, typically, in interest on the principal.
Broker/Dealer	A person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.
CAMP	<p>California Asset Management Program (CAMP) provides California public agencies, together with any bond trustee acting on behalf of such public agency, assistance with the investment of and accounting for bond proceeds and surplus funds. For bond proceeds, the objective of CAMP is to invest and account of such proceeds in compliance with arbitrage management and rebate requirements of the Internal Revenue Service.</p> <p>The program includes the California Asset Management Trust, a California common law trust organized in 1989. The Trust currently offers a professionally managed money market investment portfolio, the Cash Reserve Portfolio, to provide public agencies with a convenient method of pooling funds for temporary investment pending their expenditure. The Trust also provides record keeping, custodial and arbitrage rebate calculation services for bond proceeds. As part of the program, public agencies may also establish individual, professionally managed investment accounts.</p> <p>The Pool seeks to attain as high a level of current income as is consistent with the preservation of principal. The Pool purchases only investments of the type in which public agencies are permitted by statute to invest surplus funds and proceeds of their own bonds.</p>
Cash Flow	A comparison of cash receipts (revenues) to required payments (debt service, operating expenses, etc.).
Certificate of Deposit	A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period. Certificates of Deposits (CDs) differ in terms of collateralization and marketability. Those appropriate to public agency investing include: Negotiable Certificates of Deposit, Non-Negotiable Certificates of Deposit.

Commercial Paper	A short-term, unsecured promissory note issued by a large corporation.
Corporate Notes & Bonds	Debt instruments, typically unsecured, issued by corporations, with original maturities in most cases greater than one year and less than ten years.
Credit Risk	The chance that an issuer will be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of a corporation's credit will cause the market value of a security to fall, even if default is not expected.
Credit Rating	Various alphabetical and numerical designations used by institutional investors, Wall Street underwriters, and commercial rating companies to give relative indications of bond and note creditworthiness. Standard & Poor's and Fitch Ratings use the same system, starting with their highest of "AAA, AA, A, BBB, BB, B, CCC, CC, C, and D" for default. Moody's Investor Services uses "Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C, and D". Each of the services use pluses (+), minuses (-), or numerical modifiers to indicate steps within each category. The top four letter categories are considered investment grade ratings.
Duration	A fixed-income metric that measures the sensitivity of a bond or portfolio to changes in interest rates. A portfolio or security with a higher duration will experience larger changes in market value as interest rates change.
Federal Agency and Instrumentality Obligations	Obligations issued by a government sponsored entity or a federally regulated institution.
Issuer	Any corporation, governmental unit, or financial institution that borrows money through the sale of securities.
LAIF	<p>The Local Agency Investment Fund (LAIF), a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts and continues today under the State of California Treasurer's office. The enabling legislation for the LAIF is Section 16429.1,2,3 of the California Government Code.</p> <p>This program offers participating agencies the opportunity to participate in a major portfolio which daily invests hundreds of millions of dollars, using the investment expertise of the Treasurer's Office Investment staff at no additional cost to the taxpayer.</p> <p>All securities are purchased under the authority of the Government Code Section 16430 and 16480.4. The State Treasurer's Office takes delivery of all securities purchased on a delivery versus payment basis using a third party custodian. All investments are purchased at market, and market valuation is conducted monthly.</p> <p>It has been determined that the State of California cannot</p>

	<p>declare bankruptcy under Federal regulations, thereby allowing the Government Code Section 16429.3 to stand. This Section states “money placed with the State Treasurer for deposit in the LAIF shall not be subject to impoundment or seizure by any State official or State agency.”</p> <p>Deposits are subject to statutory limits.</p>
Liquidity	The ease with which an investment may be converted to cash, either by selling it in the secondary market or by demanding its repurchase pursuant to a put or other prearranged agreement with the issuer or another party.
Market Risk	The chance that the value of a security will decline as interest rates rise. In general, as interest rates fall, prices of fixed income securities rise. Similarly, as interest rates rise, prices fall. Market risk also is referred to as systematic risk or risk that affects all securities within an asset class similarly.
Maturity	The stated date on which all or a stated portion of the principal amount of a security becomes due and payable.
Money Market Fund	A type of investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders and must strive to maintain a stable net asset value (NAV) of \$1 per share.
Nationally Recognized Statistical Rating Organization (NRSRO)	The formal term to describe credit rating agencies that provide credit ratings that are used by the U.S. government in several regulatory areas. Ratings provided by Nationally Recognized Statistical Ratings Organizations (NRSRO) are used frequently by investors and are used as benchmarks by federal and state agencies. Generally, to be considered an NRSRO, the agency has to be “nationally recognized” in the U.S. and provide reliable and credible ratings. Also taken into consideration is the size of the credit rating agency, operational capability and its credit rating process. Some examples of NRSRO’s include Moody’s Investors Service Inc, Standard and Poor’s Inc, Fitch Inc, Dominion Bond Rating Services Limited (DBRS) and A.M. Best Company Inc.
Notes	Debt obligations of a firm or public entity, usually maturing in less than ten years.
Portfolio	The combined holdings of all investment assets held by an investor.
Repurchase Agreement	From the perspective of a local agency, the short-term, often overnight, purchase of securities with an agreement to resell the securities at an agreed upon price.
Return	The principal gains or losses (realized and unrealized) plus interest on an investment or portfolio of investments. In certain unfavorable market environments or due to risk factors, income derived from principal and interest may be less than the original amount invested.
Risk	The uncertainty of maintaining the principal or interest associated with an investment due to a variety of factors.

State & Local Investment Pools	The combined deposits of state and local agencies organized and operated by the state treasurer or a Joint Powers Agreement between local agencies. Deposits of various participating local agencies are pooled and invested. Each agency's returns are based upon their share of the amount invested in the pool. This increases investment efficiencies, decreases costs, provides liquidity, and utilizes investment expertise of the pool managers.
Supranational	A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the European Investment Bank and the World Bank. Similarly to the government bonds, the bonds issued by these institutions are considered direct obligations of the issuing nations and have a high credit rating.
Yield to Maturity	The rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

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EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE
AGENDA STATEMENT
MEETING DATE – Wednesday, January 27, 2016

SUBJECT: Financial Audit Planning Memo for the Year Ended
December 31, 2015

Report Prepared by: Kim Balingit, Accounting Manager

ATTACHMENTS: Audit Planning/Engagement Letter from Vavrinek, Trine, Day and
Company, CPA's dated December 29, 2015

RECOMMENDATION: This item is informational only.

DESCRIPTION:

This is an information item to outline and communicate the Finance Committee's role with respect to the annual independent audit process of the District financial statements.

The Board's Operating Guidelines (Section VIII (G)) state that the Finance Committee is responsible for the following aspects of the independent audit of the annual financial statements:

- a. The independent auditor will report directly to the Finance Committee;
- b. The Finance Committee will oversee the process of independent auditor selection (through a formal, competitive RFP process);
- c. The Finance Committee will review the scope of the audit and the audit engagement, receive required communications from and provide for follow-up on management comments delivered by the independent auditor;
- d. The Finance Committee will make recommendations to the full Board of Directors with respect to acceptance of and action deriving from the Audit.

The Board of Directors, on September 16, 2014 authorized execution of an agreement with Vavrinek, Trine, Day and Company, LLP (VTD) to provide financial audit services for the fiscal years ending December 31, 2014 through 2016, with the option to extend for two additional years. At the end of each fiscal year, District staff prepares financial statements which are audited by the independent auditors.

Prior to beginning of each annual audit, the auditors submit an audit planning/engagement letter. Because of the reporting relationship between the independent auditor and the Finance Committee, as identified above, the audit planning/engagement letter for the fiscal year ending December 31, 2015 is attached to this report for information only.

The audit planning/engagement letter identifies audit objectives and procedures, the auditors' responsibilities, the District responsibilities and audit fees. This document states that the audit will be performed in accordance with Government Audit Standards with the auditors

expressing an opinion as to whether the basic financial statements are fairly presented, in all material respects and in conformity with U.S. generally accepted accounting principles. The auditors will comment on internal controls that could have a material effect on the financial statements and on internal controls that relate to major federal grant programs. It is the District's responsibility to prepare the financial statements, identify all federal grant expenditures, establish and maintain effective internal controls, including controls to prevent and detect fraud, follow laws and regulations and to make all financial records available to the auditors. The audit planning/engagement letter also explains the audit approach and limitations that an audit may not detect all instances of non-compliance, that the auditors will inform appropriate levels of management if there are any violations of laws or regulations detected, and that the auditors will obtain information about procedures and internal controls and will assess compliance with the stated procedures, on a test basis. The fee for the 2015 audit is \$48,000 which is in accordance with the approved agreement and is the same fee charged for the 2014 audit.

Staff agrees that the audit planning/engagement letter, as summarized above, correctly sets forth the understanding of the audit. The audit process began in mid-January when the auditors were on site for audit planning, interim testing and grant compliance review. The auditors return in April for final fieldwork testing. Finance staff and the auditors work together to finalize the financial statements, which are presented to the Finance Committee in May and to the Board of Directors in June.

Staff would also like to report that in December, the District received the Government Finance Officers Association (GFOA) Award for Excellence in Financial Reporting for our 2014 Comprehensive Annual Financial Report (CAFR). This is the fifteenth consecutive year the District has received this award which is the highest form of recognition in the area of governmental accounting and financial reporting.



December 29, 2015

Mr. Bill Zenoni, Interim CFO
and the Board of Directors
East Bay Regional Park District
2950 Peralta Oaks Court
Oakland, CA 94605

We are pleased to confirm our understanding of the services we are to provide East Bay Regional Park District as outlined in our proposal dated May 30, 2014, for the year ended December 31, 2015. The following pertains to any and all financial statement audits as outlined in the proposal dated May 30, 2014. It is our understanding that nothing in this letter is in conflict with the agreement for services between the East Bay Regional Park District and Vavrinek, Trine, Day, & Co., LLP.

We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of East Bay Regional Park District as of and for the year ended December 31, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement East Bay Regional Park District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to East Bay Regional Park District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Budgetary comparison schedule
- 3) Plan Schedule of Funding Progress

We have also been engaged to report on supplementary information other than RSI that accompanies East Bay Regional Park District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- 1) Schedule of expenditures of federal awards
- 2) Combining Financial Statements, Non-major Governmental Funds

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- 1) Introductory and statistical sections included in the Comprehensive Annual Financial Report

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The OMB Circular A-133 report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the management and the Board of Directors of East Bay Regional Park District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue reports, or may withdraw from this engagement.

Management Responsibilities

Management is responsible for the financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying all federal awards received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes and any other nonaudit services we provide. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for (a) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (b) following laws and regulations; (c) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (d) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring

the entity complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provision of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review upon request.

You are responsible for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of East Bay Regional Park District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of East Bay Regional Park District's major programs. The purpose of these procedures will be to express an opinion on East Bay Regional Park District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

We will provide copies of our reports to East Bay Regional Park District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Vavrinek, Trine, Day & Co., LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to an Oversight Agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Vavrinek, Trine, Day & Co., LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the federal or state oversight agency, grantor agencies or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on a mutually agreed upon date. A. J. Major, III is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at \$48,000 for the year 2014. This fee includes the single audit of one major program. Additional single audit work will be \$4,200 per major program as per our proposal dated May 30, 2014. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Non-Licensee Owners

Vavrinek, Trine, Day & Co., LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business and Professions Code. It is not anticipated that any of the non-licensee owners will be performing audit services for the agency.

Peer Review Report

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our current peer review report accompanies this letter.

We appreciate the opportunity to be of service to East Bay Regional Park District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

Vavrinek, Trine, Day & Co., LLP.

A. J. Major, III, Partner
Of Vavrinek, Trine, Day & Co., LLP

RESPONSE:

This letter correctly sets forth the understanding of East Bay Regional Park District.

Management signature: *William J. Major*

Title: *Interim Finance Director*

Date: *December 30, 2015*

YANARI WATSON MCGAUGHEY P.C.

DALE M. YANARI (1947-2014) ♦ RANDY S. WATSON ♦ G. LANCE MCGAUGHEY ♦ DON W. GIUENIER
FINANCIAL CONSULTANTS ♦ CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

May 22, 2015

To the Partners of
Vavrinek, Trine, Day & Co., LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Vavrinek, Trine, Day & Co., LLP has received a peer review rating of *pass*.

Yanari Watson McGaughey P.C.
Yanari Watson.McGaughey P.C.

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EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE
AGENDA STATEMENT
MEETING DATE – WEDNESDAY JANUARY 27, 2016

SUBJECT: 2016 Internal Audit Work Plan and Final 2015 Internal Audit Results

Report Prepared by: David Sumner, CIA, CFE, CGFM, Audit Manager

ATTACHMENT: 2016 Internal Audit Work Plan

RECOMMENDATION: Review the information and direct staff to provide the 2016 Internal Audit Work Plan for acceptance by the Board of Directors.

INTRODUCTION:

This is the final year-end 2015 Internal Audit report. It includes both a recap of mid-year update items, as previously presented at the September 30, 2015 Finance Committee meeting, and the status of items subsequently completed by year-end. The topics previously presented to the Committee are shown *in italics*, for the Committee's convenience. New material begins on the forth page of this report. The presentation will also focus on the more recently completed project reports.

DESCRIPTION:

Auditing is defined as the systematic accumulation of evidence about information, to determine and report on the degree of correspondence between the information and established criteria.

The Internal Audit Unit performs an appraisal function that assists management in monitoring whether financial activities are carried out as planned and whether established internal controls are functioning properly. The audit function alerts management of any potential issues that arise so that preventive or remedial actions may be taken.

Internal controls represent the policies, procedures, systems, and practices that District management establishes and enforces, to ensure accomplishment of objectives and safeguarding of assets.

Internal audit staff assists management in design, implementation, and modification of internal controls through monitoring and evaluating the District's system of internal control in conjunction with the audit of the District activities and related operations. Staff reviews financial transactions, cash handling practices, District-funded grants, concession agreements,

contracts, RFPs, assists with the development of the District's Comprehensive Annual Financial Report (CAFR), and performs other duties as assigned.

Staffing: The Internal Audit Unit is comprised of an Audit Manager and one Accountant. The unit had adequate staffing during 2015.

Projects: During the 2015 fiscal year, Internal Audit Unit staff completed 39 audit projects. A summary of those projects is as follows.

2015 Internal Audit Plan Projects' Results

- 1. Review of Contra Loma Cash Handling Procedures:** *Contra Loma Regional Park, located in Antioch is comprised of an 80-acre reservoir whose waters are maintained by the Contra Costa Water District and the surrounding land is owned by the US Bureau of Reclamation, and is operated by the East Bay Regional Park District. Contra Loma Regional Park generates approximately \$472,000 in revenue per year for the District.*

The audit examined Contra Loma cash collection procedures, to assess safeguarding and accountability of cash on-hand and daily collections, verified functionality of internal controls, and reviewed compliance with the District's policies and procedures.

A Ventek machine is used for collecting parking, fishing permit, and dog fees whenever the kiosk is closed. Parking and fishing permit fees, that are both set at \$5, were not properly classified by type when collected via the Ventek machine. The park staff had to analyze the Ventek machine's posted transactions and use their discretion to determine how much was reportable as fishing permit proceeds. Considering that revenue derived from issuing fishing permits is measured to eventually determine how much should be allocated for fish replenishment, accurate determination of revenue by type and reporting thereof are essential. We recommended exploring re-programming of the Ventek machine to separately identify total collected amounts for parking, fishing permit, and dog fee. Operations Division staff are considering this recommendation.

Fishing permits are pre-numbered for proper control and safeguarding of collected funds. Sequential numbers of the fishing permits issued are required to be reported on the Daily Revenue Reports. Instead of reporting sequential numbers of fishing permits, park staff had reported only quantity of the fishing permits sold. This could obscure intentional understatement of collected fees, hindering effective monitoring and timely detection of potential diversion of collected funds. We recommended compliance with the District's cash handling policies and reporting requirements. The Park Supervisor will monitor recording of the beginning and ending serial numbers of the fishing permits sold on the revenue reports. Reportedly, Park staff were recording the numbers in a log book.

Public Safety personnel are responsible for transporting collected cash from Contra Loma Park to the bank, on a regular schedule. However, they had not observed the cash bag pick-up schedule some 22% of the time, leaving excessive amounts of cash in the custody of the park

staff. Un-deposited collections had to be safeguarded while remaining idle and not earning any interest. We recommended that the Operations Division communicate with Public Safety, and reinforce compliance with the current or a modified version of cash bag pick-up schedule, to ensure safeguarding of staff and collected cash, and expedite depositing of available funds into the bank. This audit report was issued on June 8, 2015. The Operations Division intends to implement audit recommendation as soon as practical.

- 2. Review of Big Break Visitor Center Capital Improvement Project:** The project, comprised of design and construction of the first official interpretive facility on the California Delta, is situated in Oakley. The project was initiated in 2009 and substantially completed on September 14, 2012. With a total budget of \$6,649,884, the project was financed through appropriation of Measure WW funds and a \$2,500,000 grant from the State of California.

The audit examined financial records relating to this project from commencement through May 31, 2014, reviewed grants awarded by grantor agencies, tested a sample of related transactions, and interviewed staff involved. Audit objectives were to report on functionality of internal controls, compliance with administrative requirements, and safeguarding of assets.

We concluded that internal controls over this capital project were functional, grant requirements and the District policies and procedures were complied with, and accounting and reporting of transactions were proper. The audit report was issued on June 30, 2015.

- 3. Review of Quarry Lakes Cash Handling Procedures:** Quarry Lakes Regional Recreation Area was created through the collaborative efforts of Alameda County Water District, East Bay Regional Park District, and City of Fremont Redevelopment Agency. It provides patrons with swimming, boating, fishing, picnicking, hiking, and wildlife viewing opportunities year-round, and generates approximately \$312,000 in revenue per year for the District.

The original audit of the Quarry Lakes Regional Recreation Area cash handling procedures was performed in 2002. We undertook a follow-up review of the park's cash handling procedures in 2015 to determine the status of prior audit recommendations, reassess functionality of controls, verify compliance with the District's current cash handling policies and procedures, and evaluate safeguarding of assets. The audit report was issued on July 22, 2015.

Our review included a study of the current cash collection procedures, a site visit and surprise cash count, observation of cash collection and safekeeping practices, review of the financial records and testing a sample of transactions recorded during January 1, 2013 through September 30, 2014, and verification of daily deposits to the bank, to ensure accurate reporting and safeguarding of daily collections.

We concluded that most of the weaknesses that were identified in our prior audit were resolved. Control over voided transactions and cash refunds were generally improved as compared to the past. However, cash refunds still lacked adequate information and signature of the recipients, and were not traceable to a particular payee and independently verifiable

after a refund was made. We suggested that the park cashiers obtain the name and signature of payees when they make refunds.

A Ventek machine is used for collecting parking, fishing permit, and dog fees whenever the park's kiosk is closed. Revenues collected through the Ventek machine at Quarry Lakes were not classified properly, nor deposited on a regular basis. Fishing permit fees were miscoded as parking fees. This may adversely impact allocation of funds for fish planting. Inconsistent intervals of emptying the Ventek machine caused fluctuations in reported monthly total revenue, obscuring variances, and preventing timely detection of potential abnormalities, and adversely affecting safeguarding of assets. We recommended proper classification of revenues, and fixed intervals for depositing Ventek machine collections.

Cash bags were not picked-up by Public Safety personnel on schedule approximately 25% of the time, causing delays in depositing of collections into the bank. Accumulation of undeposited funds could jeopardize safety of the park staff and safeguarding of assets, and prevents timely recognition of revenues. We recommended that Public Safety, Operations, and Finance discuss and reach an accommodation that balances frequency of cash bag pick-ups with available staffing and safeguarding of assets.

This audit report was issued on July 22, 2015. Operations Division has agreed with the audit findings and recommendations and plans to take appropriate steps to resolve issues of concern.

4. **Follow-up Review of Regional Parks Foundation Membership Fee Collection Procedures as it relates to the District:** Internal Audit had performed a limited review of donations to the Regional Parks Foundation (RPF) in 2008 and had commented on improving controls over the RPF Temporary Passes issued to members in conjunction with audit of Quarry Lakes Park cash handling in 2003. Internal Audit staff performed a follow-up review of the Regional Parks Foundation cash handling and membership fee collection and allocation process in 2015, to assess functionality of controls, determine status of prior audit recommendations, and ascertain how membership fees were set and allocated between RPF and the EBRPD, and offer suggestions that if implemented could simplify and facilitate compliance with the Internal Revenue Service reporting requirements regarding donations. Based on results of the tests performed, we concluded that internal controls were functional and prior audit recommendations were generally implemented. It was also recommended that a process for determining the amount of membership program fees and allocation of membership proceeds among RPF and the EBRPD should be formalized in writing, and that the RPF should enhance compliance with the IRS reporting requirements.

We recommended that RPF provide an endorsement stamp to every park that accepts membership applications on behalf of the RPF, and instruct park staff to immediately stamp all membership checks received, before forwarding them to the RPF staff for processing.

The audit also revealed that membership fee allocation between RPF and the EBRPD needs reconsideration. Since the RPF and EBRPD *1990 Agreement* is silent about how membership fees are set and proceeds allocated among the parties, and how membership fees for each membership package were calculated, propriety of the membership program packages pricing in relation to the frequency of usage and type of services that are offered is currently unknown and the District is potentially losing revenue in return for creating customer loyalty and garnering support of its constituents. We recommended that RPF and EBRPD management discuss and formalize in writing the process for determination, pricing, and allocation of the RPF membership program fees. Cost of providing free services that are included in various membership program packages should be assessed and factored in for decision making, to ensure propriety of membership fees charged and their allocation between the two entities.

Contributions to RPF, which is a private foundation, are tax deductible pursuant to IRS Code Section 170. A written statement must be issued by RPF when a member (contributor) makes a payment of more than \$75 that is partly a contribution and partly for goods and services. The statement must state that the member (contributor) may deduct only the amount of payment that is more than the value of the goods and services received. Except for "Individual Member", membership fees charged by RPF for all other membership packages exceeds the \$75 threshold.

Internal Audit staff alerted RPF management to comply with IRS requirements when applicable, and suggested ways that facilitate RPF's compliance.

The final audit report was issued on January 7, 2016 and Regional Parks Foundation has agreed to take appropriate steps to resolve issues of concern.

5. **Review of Don Castro Cash Handling Procedures:** Don Castro Regional Recreation Area is a 101-acre park located on the boundary between Hayward and Castro Valley. The park's main attraction is a swim lagoon that was formed in 1964 when Alameda Flood Control and Water Conservation District constructed a dam on San Lorenzo creek. Visitors may swim in the lagoon when lifeguards are on duty, fish in the adjacent lake, or use any of the six reservable picnic areas. For the year ended December 31, 2014, the park generated \$163,791 in revenue through collecting fees for parking, swimming, reserved picnic sites, fishing permits and dog permits.

Audit objectives were to report on functionality of internal controls, compliance with the District policies and procedures, and safeguarding of assets.

We noted that the park's two kiosks were not equipped with an alarm and a drop safe, and lacked telephone lines required for connection to a point of sales system, and cash register machines to generate receipts and readily establish accountability and classify collections based on the type of fees received. Instead, cashiers were provided with a cash box to safeguard collections, and accounted for transactions by using pre-

numbered colored wristbands as receipts for swimming fees collected and pre-numbered parking and fishing permits. Separate accountability was not maintained for the cashiers, and chain of custody and transfer of responsibility regarding transferred funds to the park office during business hours were not documented. As such, shortages and overages that may occur could not be traced back to their sources, and fixing responsibility would not be possible. Although location of the main entrance kiosk makes it an easy target for a potential hold-up, cashiers could not summon help in case of an emergency unless they used a personal cell phone. As such, the cashiering environment and practices were not fully compliant with the District's policies and procedures, and internal controls were not strong enough to immediately raise management's attention if and when something went wrong, and adversely affected the safeguarding of collected funds.

Audit staff recommended that District management assign greater priority to improving Don Castro Regional Recreation Area kiosks, and equipping them with a drop safe – for temporary storage of collected funds until they are transferred to the park office, alarm and a phone line to enhance safeguarding of cash on hand and allow for acceptance of payments by credit cards, connectivity to the Point of Sales System or least equipping the kiosks with cash register machines to facilitate establishing accountability and improving documentation, receipting, classification, and reporting of the collected fees.

We also noted that parking permits and swim wristbands were not always sequentially issued. Since the park lacks a system-generated report that denotes accountability and classification of funds collected by type, the Park Supervisor manually calculates daily accountability based on the quantity of permits and swim wristbands issued. We noted gaps in the sequential number of permits and wristbands that were issued and duplicated control numbers on colored swim bands used that adversely affected functionality of controls, and allowed for potential misuse of the unaccounted for swim wristbands and diversion of collected funds. This situation prevented us from independent verification of the accuracy of reported revenues. We noted that the swim lagoon's daily revenue was inaccurately reported or had variances due to swim wristband sequential number mismatch in 94 out of 203 business days (i.e., 46%) reviewed. There were also gaps in the serial number of parking permits issued.

To improve safeguarding of collected funds, audit staff recommended that cashiers exercise greater due diligence and issue permits and wristbands in sequential order, and the Park Supervisor enforce and verify cashiers compliance with the District's cash handling and reporting requirements, keep a log to control and document serial number of the parking, fishing, and dog permits, and color and serial number of swim wristbands that are assigned to cashiers for daily issuance.

Audit staff also recommended establishing separate accountability for cashiers and documenting transfer of responsibility upon change in custody of funds that are transferred from the kiosks to the park office for safe keeping during the day.

Cash bag pickups by public safety personnel for depositing of collected funds to the bank were not always on schedule. Audit staff recommended modifications to the cash bag pickup schedule to synchronize frequency and timing of pickups with the Park's activity level, to improve safeguarding of assets and reduce Public Safety personnel workload.

This audit report was issued on November 12, 2015. The Operations Division has agreed with the audit findings and recommendations and plans to take appropriate action to resolve issues of concern.

6. **Review of Garin Cash Handling Procedures:** Garin is a 3,168- acre park located in Hayward, and has been open to the public since 1968. The park has one kiosk at the main entrance which is open on weekends and major holidays from March through September. For the year ended December 31, 2014, Garin generated \$48,979 in revenue through collecting fees for parking, reserved picnic sites, and dog permits. Proceeds of apple harvest, and sale of scrap metals, and all donations received at this location are delivered to the Regional Parks Foundation. For the year ended December 31, 2014 the park generated \$163,791 in revenue through collecting fees for parking, swimming, reserved picnic sites, fishing permits, and dog permits.

The audit examined financial records documenting cash collection activities to assess functionality of internal controls, and verified compliance with the District policies and safeguarding of asset procedures.

The cashiering function at the kiosk is performed by a temporary seasonal Gate Attendant that has no back-up. Whenever the Gate Attendant is absent, the Park Supervisor shuts down the kiosk and allows free parking and dog walking. As a result, the District had suffered a 10% revenue shortfall (i.e., approximately \$7,103) during the audit period, due to unplanned absences of a single employee. The estimated cost of having a back-up Gate Attendant for the same duration is approximately about \$1,710. Audit staff recommended assigning a back-up Gate Attendant to allow uninterrupted staffing of the kiosk on all scheduled business days, so all applicable fees could be collected when due.

We also noted gaps in the reported sequential numbers of the parking and dog permits that were issued in 7 out of 94 days the kiosk was operational. We discussed this matter with the Park Supervisor who stated that some of the rolls/batches of the parking and dog permits that were obtained from Central Stores were not in sequential order, and that this matter had been discussed with the Central Stores staff. We could not independently verify what has happened to unreported permits. Whenever there is an unexplained gap in the serial number of the permits issued, accuracy of reported revenue would remain unsubstantiated. Audit staff recommended that the Park Supervisor establish a log to control and document the serial number of the parking and dog permits received from Central Stores, and those that are assigned to the Gate Attendant for issuance.

This audit report was issued on Nov. 12, 2015. The Operations Division has agreed with the audit comments and recommendations and plans to take appropriate action to resolve issues of concern.

7. **Review of MLK, Jr. Regional Shoreline Cash Handling Procedures:** The 1,220-acre Martine Luther King, Jr. Regional Shoreline is located on the shore of San Leandro Bay and industrial areas near Oakland International Airport. The park entrance at the end of Edgewater Drive has a parking lot that accommodates up to 80 vehicles. It's proximity to the Oracle Arena/Oakland Coliseum makes it an ideal overflow parking lot during major games that are played at this stadium.

The District charges a parking fee ranging from \$10 to \$30 per vehicle on game days. Parking fee rates are set based on the demand, comparative to the parking fee charged by the neighboring commercial parking lot operators. During 2014, the District received \$18,625 in parking fees collected at this location.

The audit examined financial records that were generated and retained documenting cash collection activities to assess functionality of internal controls and verified compliance with the District policies and to ensure safeguarding of assets.

To establish accountability for parking fee collections, staff issues pre-printed sequentially numbered parking permits to fee-paying patrons and the Park Supervisor keeps a manual log to keep track of the parking permits, and also prepares *Daily Revenue Reports*.

Our audit noted that 82 parking permits were unrecorded. Staff was not able to explain the reasons for the gap in sequential number of the reported receipts. To maintain proper control and accountability for the collected funds, pre-printed parking permits should be treated as cash equivalent with regard to their storage and usage, and issued in sequential order. We recommended that the Park Supervisor enhance safeguarding of parking permits and investigate and document in writing propriety of any breach in sequential integrity of the permits issued.

Due to wide-spread use of the Purchase Cards, the Martin Luther King, Jr. Regional Shoreline \$250 petty cash fund has been dormant for months, and was short \$53.31 when we performed a surprise cash count on September 10, 2015. To enhance safeguarding of assets and reduce staff workload, closure of the petty cash fund was recommended.

The final audit report was issued on December 15, 2015. Operations staff has agreed with implementation of the audit recommendations.

8. **Review of Deer Valley - Roddy Ranch Land Acquisition Project 234800:** Negotiations for acquisition of Deer Valley – Roddy Ranch property were initiated

pursuant to the Board Resolution No. 2000-3-59 adopted on March 21, 2015. The property is adjacent to the City of Antioch and consisted of 13 parcels totaling 1,885.2 acres with an appraised value of \$14,245,000. Acquisition of this property was made possible and financed through a partnership with East Contra Costa County Habitat Conservancy and use of Federal funds that were contributed by the California Wildlife Conservation Board (68%), Measure WW bond proceeds (25%), and Moore Foundation (7%). Formal transfer of the ownership of this property to the EBRPD occurred on July 24, 2014. As of December 17, 2015 the total cost of acquiring this property was \$14,317,463.43 of which \$3,633,686.43 was paid by the East Bay Regional Park District.

The audit examined financial records, reviewed grants awarded by grantor agencies, and disbursements from Measure WW Bonds, and verified supporting documents to ensure propriety of accounting transactions, compliance with administrative requirements, and functionality of internal controls.

Our audit determined that internal controls over this project were functional. Grantors and District administrative requirements were complied with, and accounting and finance reporting of related transactions were proper.

The audit report was issued on December 31, 2015.

2015 District Grant Audit Results
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Review of Measure WW Grants: During the year, the following 29 pre-approved projects funded by Measure WW grants were reported to have been completed, and the grantee-provided records of those projects were subjected to an audit to ensure compliance with the EBRPD requirements and satisfactory completion of the projects prior to approving their final payment request. Audit staff found that grantees were generally compliant and approved their final payment requests in accordance with the established procedure.

<u>Grantee</u>	<u>Project # and Title</u>	<u>Total Grant Amount</u>
City of San Leandro	311004 Marina Park Group Picnic Area.	\$988,000.00
City of Oakland	310713 Raimondi Park Renovation.	221,069.89
City of Concord	311718 ADA Barrier Removal Baldwin Park.	30,437.09
HARD	311212 Valle Vista Park Property Acquisition.	362,145.62
City of Oakley	312402 Civic Center Improvements.	405,841.16
Oakland Zoo	314601 Giraffe Barn.	206,193.00
City of Richmond	312912 Marina Bay Park Restroom.	350,510.00
HARD	311211 Morisson Theatre ADA Restroom.	320,000.00
HARD	311217 Birchfield Park ADA Restroom.	225,000.00
City of Hayward	311219 Hayward Plunge Swim Center ADA Restroom	250,000.00
City Walnut Creek	313202 All Abilities Playground Heather Farm.	350,000.00
City of Brentwood	311505 City-wide Parks Shade Project.	331,850.12
City of Dublin	310303 Tennis Court Renovation.	156,549.48

HARD	311209	Earl Warren ADA Restroom Replacement.	257,947.40
HARD	311210	Meek Park ADA Restroom Replacement.	260,428.35
City of Antioch	311400	Fishing Pier.	100,020.39
City of El Cerrito	311905	Busby Property/Hillside Natural Acquisition.	120,348.50
City of Martinez	312203	West Hills Farm Acquisition.	262,500.00
City of Fremont	310511	Sand Volleyball Court Conversion.	549,269.40
City of San Ramon	313111	Old Ranch Park Shade Structure Installation.	18,389.92
City of San Ramon	313110	Old Ranch Park Playground Renovation.	83,647.78
City of Concord	312608	Concord Community Pool.	230,033.00
City of Concord	311717	Electrical Pull Boxes at City Parks.	150,000.00
HARD	311223	Via Toledo Property Acquisition.	146,674.84
HARD	311220	Mervin Morris Park ADA Restroom.	101,296.45
Green Valley Rec.	313302	Green Valley Pool Interior Fence & Gate.	11,530.42
HARD	311216	Hampton Road Dog Park.	247,651.46
Fremont	310514	Karl Nordvik Synthetic Turf Conversion.	435,543.00
San Ramon	313109	Richard Fahey Village Green Playground.	96,766.13

<p>Result of Internal Audit Projects Completed on Request (not included on 2015 Internal Audit Plan</p>
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Review of Chabot Gun Club Financial Documents: The Income Tax Returns, Financial Statements, Usage Reports, and other ancillary financial records of the Chabot Gun Club for the years 2012, 2013, and 2014 were subjected to a limited review and analysis to assist the Operations Division in its negotiations with this concessionaire.

Review report was issued on August 3, 2015.

Review of Tilden Nature Area (TNA) Petty Cash Fund: Due to an unplanned staff transition at Tilden Nature Area, cash handling practices and records of TNA were subjected to a review and amount of petty cash, donations, and daily collections on-hand were verified and attested to by Internal Audit staff.

The Acting Supervising Naturalist, who had inherited responsibility for overseeing activities of the TNA part-time cashiers and petty cash fund custodial responsibilities, was briefly trained on cash handling policies and procedures and best practices to enhance safeguarding of cash collections, donations, and proper handling and reporting of petty cash fund transactions at this location.

Review report was issued on October 30, 2015.

Review of the District's Preparedness for Compliance with Affordable Care Act (ACA) Reporting Requirements

To comply with the reporting requirements of Affordable Care Act, East Bay Regional Park District has entered into an agreement with *First Advantage*, a third party service provider.

To assess accuracy of data compiled and conveyed to the third party service provider and verify District's preparedness for timely compliance with the Affordable Care Act reporting requirements, Internal Audit staff performed a review of relevant information including payroll files and data compiled for submittal to the *First Advantage*. The audit identified issues that needed to be addressed for enhancing accuracy of data and information transmitted, and made several recommendations to facilitate successful implementation and timely compliance with the ACA reporting requirements.

Review report was issued on November 25, 2015.

Responses Received to Prior Year Internal Audit Reports

Discussion drafts of the following audit reports were issued during 2013. Comments and recommendations expressed in those draft reports were presented to the Board Finance Committee in 2014. As the Operations Division responded to the audit comments and recommendations in 2015, and the final audit reports were issued on November 12, 2015.

Follow-up Review of Tilden Merry-Go-Round. *The Tilden Merry-Go-Round was being operated by Terri Holleman Oyarzun when the audit was performed.*

The concessionaire's financial records were examined to assess functionality of controls and compliance with regulatory requirements, and report on status of prior audit findings and recommendations. The prior audit of Tilden Merry-Go-Round was performed in 2006.

The concessionaire's internal controls related to revenue-generating activities were not properly functional. Daily journals of transactions were not retained, and occasionally cash register receipts were manually adjusted. Concession fees were underpaid since a portion of the concessionaire's gross receipts were unreported to the District. The concessionaire owed \$18,484.25 for unpaid concession and maintenance fees to the District. Scheduled business days and published hours of operation were not fully observed. There were gaps in revenue reporting. The concessionaire had not reported revenue for certain days that were supposed to be open for business, and showed revenue for certain days that were supposed to have been closed. The financial records had improved, but were still inadequate and unreliable. A total of \$23,497.15 in overdue concession fees and applicable charges identified in our 2006 audit report has remained uncollected. The price of a ride was increased to \$2 pursuant to our 2006 audit recommendation.

The Operations Division staff has agreed with the audit comments and recommendation, and the concessionaire's contract was terminated.

Follow-up Review of Fleet Credit Cards. The audit examined the functionality of internal control, status of prior audit findings and recommendations, and offered suggestions for strengthening and improving controls.

The prior audit of Fleet credit cards was performed in 2004. Since that time, controls over Fleet credit cards assigned to the part-time employees have improved. However, it was still possible for staff to disguise misuse of Fleet Credit Cards, utilize most of the District-owned refueling facilities that are not equipped with electronic metering devices, and report inaccurate information. Fleet Management staff were not verifying accuracy of individual cardholders' transactions bi-weekly, as was prescribed in Universal Fleet Card Administration and Oversight. Use of Purchase Cards to buy fuel that was previously prohibited due to higher cost is now allowed in case of emergency and for rental cars. Segregation of duties and cross-training of staff has not been fully implemented. Wright Express (vendor) invoices were still being paid by check, precluding the District from receiving the special discount for use of Electronic Fleet Payment.

Current audit findings and recommendations were as follows:

It was recommended that Fleet management file a "Certificate of State Use" with Flyers (fuel vendor) to exempt the District fuel purchases from imposition of Federal excise tax.

To claim a tax refund from the State of California, it was recommended that Fleet management review the percentage of off-road use of diesel fuel and include all diesel fuel purchases, regardless of purchase method and supplier, in calculations when seeking diesel fuel tax refunds.

The Chevron credit card assigned to a former District employee in 2010 reflected charges over a two month period which significantly exceeded the normal monthly usage for that employee. A review of the paid invoices reflected a lack of adequate supporting documentation, account coding and timely processing which resulted in the payment of late fees and interest totaling \$205.13. It was recommended that Fleet management ensure the propriety of reported charges, transactions coding and documentation, and close terminated employees' fuel cards promptly to prevent potential misuse and avoid payment of unnecessary fees and interest.

The Fleet Management database was not kept up-to-date in the aftermath of the Tilden Equipment Shop fire due to the priority of other duties. Timely detection of potential misuse of fuel requires up-to-date records and timely review. To overcome the backlog, it was recommended that Fleet management use free help that may be available through Risk Management's "Return to Work" program, or enlist help of a paid summer intern.

Operations Division staff has agreed with the audit comments and recommendations, and intends to take appropriate action for resolving issues of concern.

Review of Roberts Cash Handling Procedures. The audit examined the functionality of internal controls, compliance with administrative requirements, and assessed safeguarding of assets.

Audit staff noted that Roberts kiosk attendants were not in full compliance with the established cash handling policies and procedures. There were frequent adjustments to cash due to refunds and voids without proper verifiable documentation.

Cash received was not entered into the cash register promptly upon collection. There were frequent reported refunds often just before closing time, and refunds were not accompanied by original receipts. A cash register receipt was not issued to every fee-paying patron. It was recommended that the Park Supervisor require documentation and enhance his review of the propriety of daily collections.

Operations Division staff has agreed with the audit comments and recommendations, and intends to take appropriate action for resolving issues of concern.

Review of YMCA Camp Arroyo Concession. *The audit examined the functionality of internal controls and assessed whether YMCA was compliant with the Operators License Agreement and regulatory requirements. Audit staff concluded that internal controls were functional, and YMCA was compliant with financial aspects of the Camp Arroyo Operators License Agreement.*

The YMCA's Camp Arroyo calendar still could not be viewed online by the EBRPD and the Taylor Family Foundation (TTFF) staff. This could adversely impact optimizing the facilities use and customer service. As an alternative, staff has suggested that YMCA give EBRPD and TTFF staff read-only access to their existing calendar.

Staff noted that YMCA had used the camp for their staff training programs. In fiscal year 2010-11 they paid a fee, and in 2011-12 they had not paid a fee to the District for their use. We suggested collection of \$576.45 for unpaid fees, and clarification of terms of the Operators License Agreement about YMCA's use, when it comes up for renewal.

There was discrepancy in revenue reporting due to clerical errors. The YMCA had overpaid a total of \$5,010.70 to District that we have recommended be refunded.

Operations Division staff has agreed with the audit comments and recommendations, and intends to take appropriate action for resolving issues of concern.

External Audit Projects Results

Peace Officer Standards and Training Program (POST) Audit: The State Controller's Office (SCO) audited the training reimbursement requests submitted by the East Bay Regional Park District Public Safety Division pertaining to the Peace Officer Standards and Training Program for the period July 1, 2013, through June 30, 2014. The District claimed and was reimbursed \$16,403 during the audit period.

The SCO auditors found the entire amount allowable and the District compliant with guidelines pertaining to the POST program.

2016 Internal Audit Work Plan

For 2016, internal audit projects were selected based on level of financial risk, which is defined as a set of circumstances that hinder achievement of objectives. The financial risk assessment was first completed in 2009 and is updated annually for audit planning. A risk-based auditing approach helps define the areas with the greatest financial impact and the greatest financial risk for the District. The risk assessment process involves understanding the entity and its environment including internal controls, performing analytical procedures, observation and inspection, and eventually establishing a risk scoring system that is used for developing the annual internal audit plan.

The top priority of the internal audit function is to examine a high risk revenue area, and a high risk expenditure area, every year. The risk areas are reassessed annually and projects rotated, so that all are examined on a regular basis. 2016 planned audit projects include formal review of a prior year audit project findings and recommendations, and assessing their implementation and impact on improving internal controls. If time permits, audit staff will also review personnel's compliance with an established District policy.

The *2016 Internal Audit Work Plan* is approved by the General Manager and reviewed with the Board Finance Committee. The results of the audit projects are reviewed with District management and the Finance Committee. The desired goal of the internal audit function is to help management effectively discharge their duties by enhancing and maintaining effective controls throughout the District.

RECOMMENDATION

Review the information and direct staff to provide the 2016 Internal Audit Work Plan for acceptance by the Board of Directors.

**EAST BAY REGIONAL PARK DISTRICT
FINANCE DEPARTMENT
2016 INTERNAL AUDIT WORK PLAN
Draft**

Selected Projects

Review of Tilden Merry-Go-Round Concession

Verify concessionaire's compliance with the contract terms.

Review of Del Valle Marina, Camp Store, and Two Food Concessions

Verify concessionaire's compliance with the contract terms.

Review of Briones Regional Park Cash Handling Procedures

Verify functionality of internal controls, safeguarding of assets, and compliance with administrative requirements.

Review of Lake Chabot Regional Park Cash Handling Procedures

Verify functionality of internal controls, safeguarding of assets, and compliance with administrative requirements.

Review of the District's Financial System (OneSolution) Security*

Review and assess propriety of access controls setup, to ensure safeguarding of assets.

Review of Workers' Compensation Claims Processing *

Verify compliance with administrative requirements, functionality of controls, and safeguarding of assets.

Review of Reservations Active Net Cash Handling Practices

Verify functionality of internal controls, safeguarding of assets, and compliance with administrative requirements.

Review of Outback Adventures Concessionaire at Del Valle

Verify concessionaire's compliance with the contract terms.

Review of Capital Improvement Project No. 232200 Pleasanton Ridge Robertson Property

Verify propriety of accounting transactions and functionality of controls.

Review of Sales and Use Tax Compliance

Verify compliance with administrative requirements, and functionality of controls.

Routine Projects

Review of Contracts and RFPs

Review, revise and refine text of the proposed contracts & RFPs. Perform financial review, protect the District's best interest and assist with vendor selection.

Requested by: Management and staff.

Review of Measure WW Local Grant Projects

Verify propriety of payment requests submitted to the District's Grants Department.

Requested by: Grants Department

* Project field work was started in 2015. Audit report will be issued in 2016.