

Agenda Date: May 15, 2014  
Agenda Placement: Admin.  
Estimated Time: N/A  
Continued Item: No

## Board Agenda Item

TO: Air Pollution Control District Board  
FROM: Dave Van Mullem, Air Pollution Control Officer  
CONTACT: Kristina Costa, Supervising Accountant (961-8813)  
SUBJECT: APCD Fiscal Year 2012-13 Financial Audit

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### RECOMMENDATION:

Receive and file the attached:

- A. Fiscal Year 2012-13 APCD *Comprehensive Annual Financial Report* (CAFR), also containing the *Financial Audit Report*;
- B. The Independent Auditors' *Report on Internal Control over Financial Reporting and on Compliance and Other Matters*;
- C. The Independent Auditors' *Report on Compliance with Requirements Applicable to Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133*; and
- D. The Independent Auditors' *Report on Supplementary Information – Schedule of Expenditures of Federal Awards*.

### DISCUSSION:

Each year, financial statements must be prepared reporting on the District's financial status and then audited by an independent accounting firm employing certified public accountants (CPAs). In addition, the District must undertake a federally mandated "Single Audit" any fiscal year the District expends more than \$500,000 of federal funds and issue a report as a result of that audit.

As part of the audit of the District's financial status (the financial audit) the accounting firm must issue three supplemental reports: 1) an *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters*; 2) a *Report on Compliance with*

*Requirements Applicable to Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133; and 3) a Report on Supplementary Information – Schedule of Expenditures of Federal Awards.*

#### 2012-13 Comprehensive Annual Financial Report (CAFR)

The attached CAFR was prepared by the District Fiscal Division, under the direction of District management. The independent accounting firm Nasif, Hicks, Harris & Co., LLP (auditors) prepared the included *Financial Audit Report*. The auditors found that our financial statements are presented fairly, in all material respects.

#### Single Audit Reports

Federal expenditures were above the \$500,000 threshold in fiscal year 2012-13, therefore a federally mandated “Single Audit” was required, the *Single Audit Reports* were prepared by the independent audit firm Nasif, Hicks, Harris & Co., LLP. The auditors have issued a qualified opinion for the Single Audit due to three minor audit findings: 1) the District did not meet its Maintenance of Effort (MOE) requirement, however as noted in the report, the District is currently working with EPA to have the MOE level reduced; 2) the single audit report is due to the Federal Audit Clearinghouse by March 31, 2014 and that deadline was not met. The deadline was missed because the CAFR was not ready until late March and the District was unaware of the filing deadline because they have not been required to file a Single Audit since 2008; and 3) journal entries in FIN are reviewed and approved by the County, however the internal accounting software (UA) journal entries are not reviewed if the accounting supervisor makes them. Both systems are reconciled monthly and no discrepancies were found. The District will create a written policy to have the UA journal entries approved.

#### Report on Internal Control and Compliance

As part of the audit, and in accordance with Government Auditing Standards, the auditors considered the District’s internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters and issued the attached *Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters*. The auditors did identify three significant deficiencies in internal controls over financial reporting (see above under ‘Single Audit Reports’) however these deficiencies are not considered to be a material weakness.

#### ATTACHMENTS:

- 1) Fiscal Year 2012-13 APCD *Comprehensive Annual Financial Report* (CAFR), also containing the *Financial Audit Report*
- 2) Single Audit Reports