



June 30, 2016

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Dear Mr. Guise,

We thank you very much for your thorough review of the District's financial statements for fiscal year ending June 30, 2015. As always, we very much appreciate your knowledge and expertise in providing not only a comprehensive review of the draft statements, but also your guidance provided to our staff throughout the year and in your evaluation and recommendations related to the financial policies and practices of the District.

Transparency and accountability is paramount to our District staff and Board of Directors, and it is important for our community to understand all aspects of their local government and how we spend their tax dollars responsibly. Your audit and our documented actions serve that purpose well.

That said, below I have included the Recommendations contained in the Findings and Responses section of your final draft audit, and provided our corrective actions taken.

**Finding 2015-1
Bank Statement Reconciliations**

Recommendation:

The District should ensure that all bank statements are reconciled properly in a timely manner. Staff must be trained in how to properly reconcile cash accounts.

District's Corrective Action Plan

The District has hired a qualified accounting practice to reconcile each bank account on a monthly basis. The District requires its contractors, including those providing financial accounting services, to assign trained, qualified and experienced staff of the practice to work on our account. Maintaining these contract services increases the District's capacity for separation of financial duties and reduces internal training and staffing requirements.

**Finding 2015-2
Journal Entries**

Recommendation:

The District's internal controls and procedures over the bank reconciliation process should ensure that journal entries are not required to force cash reconciliations. All journal entries should be made only by the District accountant and they should be printed and filed with an approval signature of the review performed by the General Manager.

District's Corrective Action Plan

The District hired Warmerdam CPA Group on April 1, 2016 as a consultant. The consulting firm is processing the disbursements, processing payroll, filing the appropriate payroll filings with IRS, EDD and making sure the district is following accounting standards and California law. Journal entries will be made by the accounting consultant after the recommendation and approval of the District General Manager.

**Finding 2015-3
Payroll**

Recommendation:

Ensure management is properly trained on overtime rules and work with the payroll software vendor to ensure the leave balance tracking is operating properly.

District's Corrective Action Plan

The District hired Warmerdam CPA Group on April 1, 2016 as a consultant. The consulting firm is processing payroll, filing the appropriate payroll filings with IRS, EDD and making sure the district is following its policies, accounting standards and California law. Leave Forms are now required to be prepared for all approved leave, and signed by the appropriate supervisor or administrative employee, in the case of General Manager leave. The payroll consulting firm is required to verify leave form approval, monitor leave balances available and consult with the General Manager on clarifying questions related to overtime worked.

**Finding 2015-4
Petty Cash and District Debit Cards**

Recommendation:

The District should ensure that every meal purchased using District funds is supported by an itemized receipt, description of the business purpose of the meal, and a list of whose meals are being purchased in order to ensure that the use of funds is appropriate.

District's Corrective Action Plan

Each employee submitting for reimbursement or incurring expenses using District credit or debit cards in accordance with District policy will submit to the General Manager and consulting firm the itemized receipt for each transaction as a mandatory performance condition.

**Finding 2015-5
Inventory**

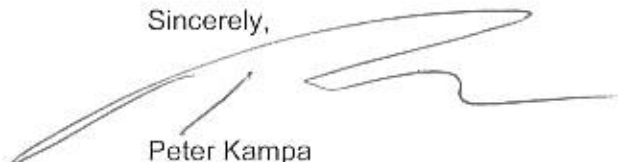
Recommendation:

The District should ensure that inventory is counted on June 30th of every year in order to create a list of items, the amount of each item, and total dollar value of the inventory on hand at the end of the fiscal year.

District's Corrective Action Plan

The District conducted inventory on June 28-June 30, 2016 and has created a list of items on hand, and will appropriately record the cost of each item and total value of the inventory as of June 30, 2016.

Sincerely,



Peter Kampa
Interim General Manager