

ZONE 7 BOARD OF DIRECTORS FINANCE COMMITTEE

DATE: June 8, 2023
TIME: 11:00 a.m.
LOCATION: Zone 7 Administration Building
100 North Canyons Parkway, Livermore

Director Figuers
Director Narum
Director Ramirez Holmes

AGENDA

1. Call Meeting to Order
2. Public Comment on Items Not on Agenda
3. Independent Accountants' Report on Applying Agreed-Upon Procedures in Regard to Purchasing Card Transactions for the Calendar Year Ended December 31, 2022
4. FY 2022-23 Audit: Communication with Those Charged with Governance
5. Verbal Reports
6. Adjournment

Date: June 8, 2023

TO: Finance Committee

FROM: Osborn Solitei, Treasurer/Assistant General Manager – Finance

SUBJECT: Independent Accountants' Report on Applying Agreed-Upon Procedures in
Regard to Purchasing Card Transactions for the Calendar Year Ended December
31, 2022

SUMMARY:

The Agency engaged with external audit firm, The Pun Group, LLP, to perform Agreed-Upon Procedures and perform an internal audit over purchasing card (P-Card) transactions for the period of January 1, 2022, through December 31, 2022. An internal audit of purchasing card transactions helps meet the Agency's Strategic Plan Initiative No. 24 – Continue to effectively manage financial resources for the Agency and continue to conduct an annual audit.

DISCUSSION:

The Pun Group, LLP recently performed Agreed-Upon Procedures of the Agency's purchasing card transactions for the calendar year ended December 31, 2022. The procedures performed were to assist the Agency with its compliance with the County of Alameda's "Purchasing Card Policies & Procedures Manual". The engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA).

Purchasing Cards

The Agency utilizes purchasing cards from Home Depot and MUFG Union Bank for small dollar purchases.

- MUFG Union Bank Purchasing Card: The purchasing card is administered by the County of Alameda. Authorized Agency employees are required to comply with regulations stated in the County of Alameda General Services Agency (GSA) Purchasing Card Policies and Procedures Manual.
- Home Depot Purchasing Card: The purchasing card is administered by the Agency. Authorized Agency employees are required to adhere to the Agency's Home Depot Purchasing Card Agreement, the Zone 7 Purchasing Policy, and the County of Alameda General Services Agency (GSA) Purchasing Card Policies and Procedures Manual.

Number of Purchasing Card Transactions Calendar Year 2022		
Home Depot	MUFG Union Bank	Total
113	367	480

Procedures Performed by the External Auditors

1. Obtained the Agency's Purchasing Card Policies & Procedures Manual ("the Purchasing Card Policy") dated April 12, 2019, and revised on August 12, 2021, and determined if the policy is in place and if it is adequate.
2. Obtained the monthly statements for year ended December 31, 2022, from Home Depot and selected a sample of 30 transactions.
3. Obtained the monthly statements for the year ended December 31, 2022, from Union Bank and selected a sample of 30 transactions.
4. Tested samples selected above for the following:
 - Purchase is in compliance with policy
 - Purchase is supported by proper supporting documentation
 - Purchase is properly approved and authorized
 - Validate purchase is within P-Card use versus normal requisition and purchasing procedures
 - Purchase is within the limits established by the Purchasing Card Policy and the cardholder agreement.
5. Review of cardholder Purchasing Card Agreement Form to ensure that limits by transaction and day are being followed.

Auditor's Findings

No exceptions were noted as a result of their procedures.

FUNDING:

There is no funding impact.

RECOMMENDED ACTION:

Discuss the Independent Accountants' Report on Applying Agreed-Upon Procedures for the Agency in Regard to Purchasing Card Transactions for the Calendar Year Ended December 31, 2022.

ATTACHMENTS:

Independent Accountants' Report

Alameda County Flood and Water Conservation District Zone 7 Water Agency

Livermore, California

Independent Accountants' Report on Applying Agreed-Upon Procedures in Regards to Purchasing Card Transactions

For the Year Ended December 31, 2022





INDEPENDENT ACCOUNTANTS' REPORT APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of the
Alameda County Flood and Water
Conservation District – Zone 7 Water Agency
Livermore, California

We have performed the procedures enumerated below, which were agreed to by the Alameda County Flood and Water Conservation District – Zone 7 Water Agency (“Agency”), solely to assist you in assessing whether purchasing card transactions made by the Agency were in compliance with the “Purchasing Card Policies & Procedures Manual” during the year ended December 31, 2022. The Agency’s management is responsible for compliance with the “Purchasing Card Policies & Procedures Manual”.

The agency has agreed to and acknowledged that the procedures performed are appropriate for their purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purpose.

The procedures and associated findings are as follows:

PROCEDURES:

1. Obtained the Agency’s Purchasing Card Policies & Procedures Manual (“the Purchasing Card Policy”) dated April 12, 2019 and revised on August 12, 2021 and determined if the policy is in place and if it is adequate.

Findings: No exceptions were noted as a result of our procedures.

2. Obtained the monthly statements for year ended December 31, 2022 from Home Depot and selected a sample of 30 transactions.

Findings: No exceptions were noted as a result of our procedures.

3. Obtained the monthly statements for year ended December 31, 2022 from Union Bank and selected a sample of 30 transactions.

Findings: No exceptions were noted as a result of our procedures.

To the Board of Directors of the
Alameda County Flood and Water
Conservation District – Zone 7 Water Agency
Livermore, California
Page 2

4. Tested samples selected above for the following:

- a. Purchase is in compliance with policy
- b. Purchase is supported by proper supporting documentation
- c. Purchase is properly approved and authorized
- d. Validate purchase is within P-Card use versus normal requisition and purchasing procedures
- e. Purchase is within the limits established by the Purchasing Card Policy and the cardholder agreement.

Findings: No exceptions were noted as a result of our procedures.

5. Review of cardholder Purchasing Card Agreement Form to ensure that limits by transaction and day are being followed.

Findings: No exceptions were noted as a result of our procedures.

We were engaged by the Agency to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on whether purchasing card transactions made by the Agency were in compliance with its "Purchasing Card Policies & Procedures Manual" during the year ended December 31, 2022. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Agency and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "The Pen Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
March 30, 2023

DATE: June 8, 2023**TO:** Finance Committee**FROM:** Osborn Solitei, Treasurer/Assistant General Manager – Finance**SUBJECT:** FY 2022-23 Audit: Communication with Those Charged with Governance**SUMMARY:**

- In accordance with Strategic Plan Initiative No. 24 – Continue to effectively manage financial resources for the Agency in a prudent manner and demonstrates good stewardship of public funds, the Agency contracted with The Pun Group, a certified public accounting firm, licensed to practice in the State of California to perform fiscal year (FY) 2022-23 annual audit and prepare the Annual Comprehensive Financial Report (“Annual Report”).
- AU-C 260 Communication with Those Charged with Governance requires the auditors to have communications with “those charged with governance.” The audit standards outline the Auditor’s responsibility and the audit process including:
 - Audit scope
 - Audit Timing
 - Engagement Team
 - Management Representations
 - Implementation of New Governmental Accounting Standards Board (GASB) Pronouncements
- The Annual Report follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada (“GFOA”) and the Agency will be submitting the FY 2022-23 Annual Report to GFOA for review and certification.

FUNDING:

N/A

RECOMMENDED ACTION:

Informational only

ATTACHMENT:

FY 2022-23 Audit: Communication with Those Charged with Governance

Alameda County Flood Control and Water Conservation District, Zone 7

AU-C 260 Communication with Those Charged with
Governance

For the Year Ended
June 30, 2023

Agenda

Audit of the Zone 7 for the Year Ending June 30, 2023



- Scope of Work
- Our Responsibility in accordance with Professional Standards
- Management Responsibilities
- Engagement Team
- Engagement Timing
- Implementation of New GASB Pronouncements

Scope of Work

Audit of the Zone 7 for the Year Ending June 30, 2023

- Audit of the Annual Comprehensive Financial Report (ACFR)
 - Report on Financial Statements
 - Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*
- Single Audit (applicable if total expenditures of federal awards exceed \$750,000)
 - Report on compliance over major federal programs, schedule of expenditures of federal awards and internal control in accordance with 2 CFR 200
- Preparation of the Annual Comprehensive Annual Financial Report (ACFR)
- Preparation of the Zone 7's Financial Transactions Report (State Controller's Report)
- Preparation of the Livermore Valley Water Financing Authority's Financial Transactions Report (State Controller's Report)

Our Responsibility in Accordance with Professional Standards

Audit of the Zone 7 for the Year Ending June 30, 2023

- Form and express an opinion about whether the financial statements that have been prepared by management with Board oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America
- Plan and perform the audit to obtain “reasonable” assurance (not “absolute” assurance) about whether the financial statements are free of material misstatements.
- Consider internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our Responsibility in Accordance with Professional Standards

Audit of the Zone 7 for the Year Ending June 30, 2023

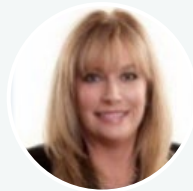
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Zone 7's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Zone 7's ability to continue as a going concern for a reasonable period of time.

Management Responsibilities

- Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America,
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Zone 7's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Engagement Team

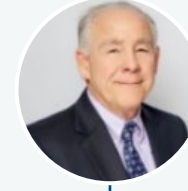
Audit of the Zone 7 for the Year Ending June 30, 2023



Vanessa I. Burke
CPA, CPFO
Concurring Partner



Kenneth H. Pun
CPA, CGMA
Engagement/Lead Partner



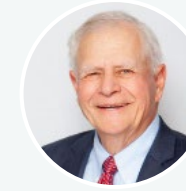
John Georger
CPA, CIA, CGMA
Quality Control Reviewer



Andrew Roth
CPA
Compliance Partner



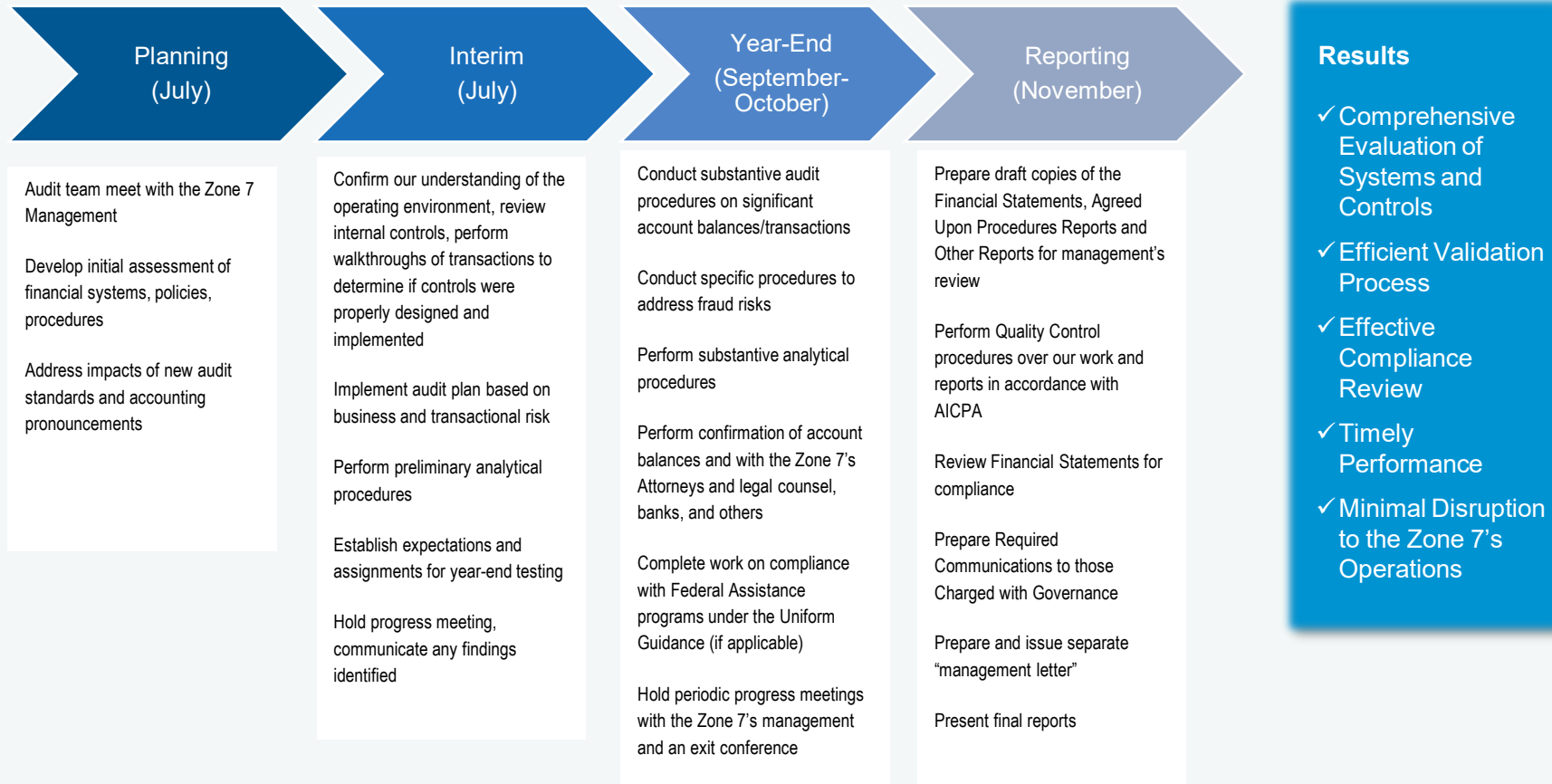
Mark Hu
CPA
Engagement/ Project Manager



Gary Caporicci
CPA, CGFM, CFF
GASB Implementation Specialist

Engagement Timing

Audit of the Zone 7 for the Year Ending June 30, 2023



New GASB Pronouncements

Audit of the Zone 7 for the Year Ending June 30, 2023

2023

- Statement 91 – Conduit debt
- Statement 94 – Public-Private Partnership
- Statement 96 – Subscription-Based Information Technology Arrangements
- Statement 99 – Omnibus
- Implementation Guide 2020-1 update (4.6-4.17 and 4.19-4.21)
- Implementation Guide 2021-1 update (4.1-4.21, 4.23, 5.2 and 5.4)

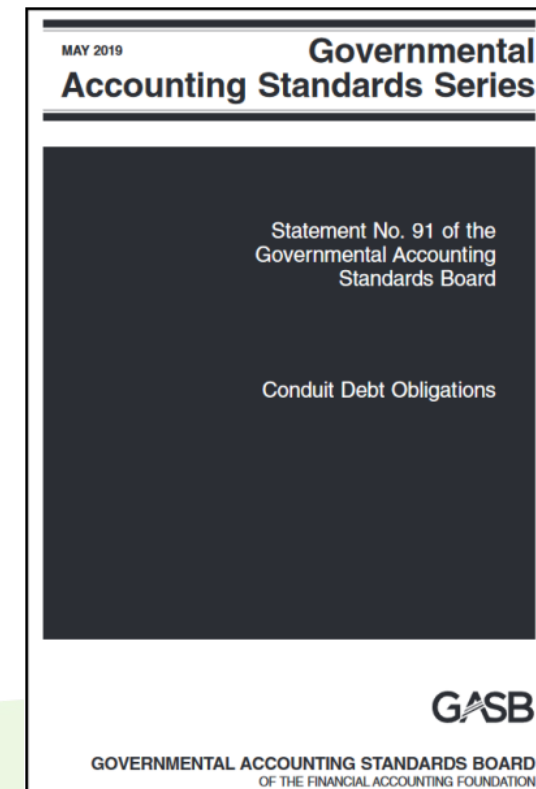
2024

- Statement 100 – Accounting Changes and Error Corrections
- Statement 101 – Compensated Absences
- Implementation Guide 2021-1 update (5.1)

GASB 91

Conduit Debt Obligations

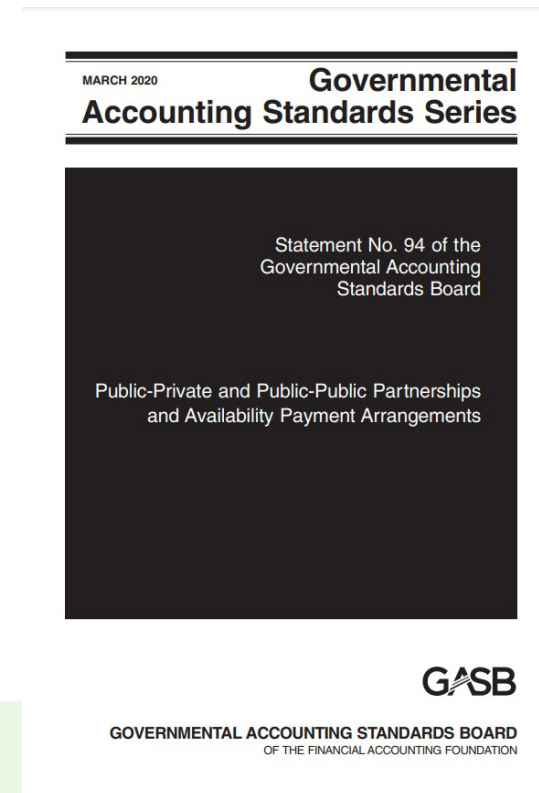
- The Board issued Statement 91 to provide a single method of reporting conduit debt obligations by issuers
- This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.
- Effective for the Agency's fiscal year ending June 30, 2023



GASB 94

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

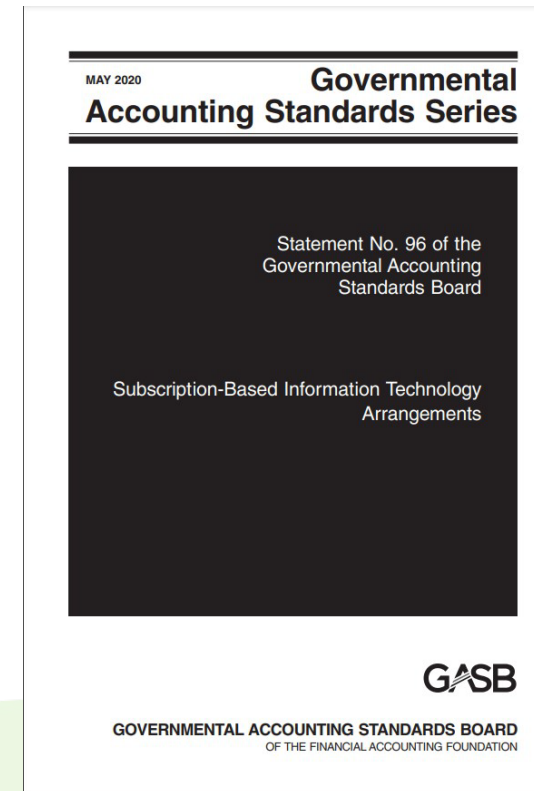
- The Board issued Statement 94 to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).
- This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).
- Effective for the Agency's fiscal year ending June 30, 2023.



GASB 96

Subscription-Based Information Technology Arrangements

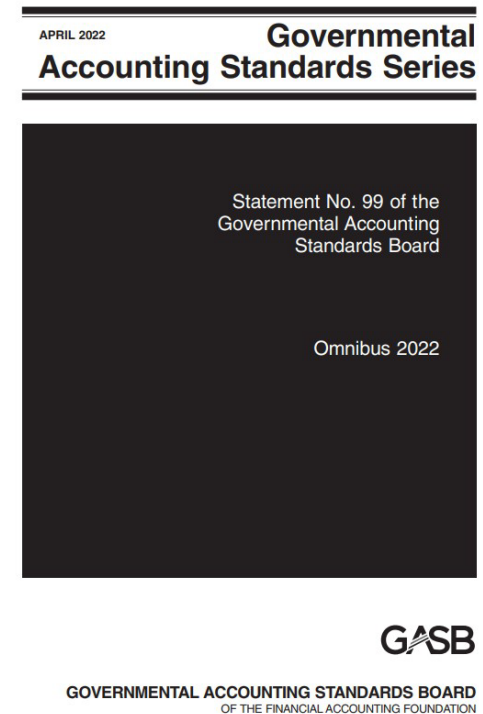
- The Board has issued guidance to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs)
- This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.
- Effective for the Agency's fiscal year ending June 30, 2023.



GASB 99

Omnibus 2022

- The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature
- Omnibus projects are used to address issues in multiple pronouncements that, individually, would not justify a separate project
- The Statement is effective for fiscal year years beginning after June 15, 2022 for requirements related to leases, PPPs, and SBITAS.





QUESTIONS



HQ - ORANGE COUNTY

200 E. Sandpointe Avenue
Suite 600
Santa Ana, CA 92707

SAN DIEGO

4365 Executive Drive
Suite 710
San Diego, CA 92121

BAY AREA

2121 North California Blvd.
Suite 290
Walnut Creek, CA 94596

LAS VEGAS

1050 Indigo Drive
Suite 110
Las Vegas, NV 89145

PHOENIX

4742 North 24th Street
Suite 300
Phoenix, AZ 85016