

**Cosumnes Groundwater Authority
Board of Directors Meeting**

Agenda Date: October 4, 2023

Agenda Item #: 4

Agenda Item Subject: Fiscal Year 2021-2022 Audit

To: CGA Board of Directors

From: CGA Staff

Background

Richardson & Company, LLP conducted and completed CGA's FY 2021-2022 Audit and draft documents were presented to the Board on September 18, 2023. The final audit documents are attached.

Several recommendations were included and discussed. Those recommendations, and Staff's proposed plan to implement each recommendation, are included here:

It is important for the Authority to ensure bank reconciliations are complete and accurate in the future.

A bank reconciliation process will be established with support from the Treasurer.

The Authority should consider approving accounting policies and procedures, an employee expense reimbursement policy, an anti-fraud policy and a whistleblower policy.

Staff and Treasurer have drafted written processes/procedures based on examples from Amador Water Agency, Sloughhouse RCD, and the California Special District Association. The following draft policies are attached and will be presented to the Board for consideration in November:

- Reimbursement Policy
- Anti-Fraud Policy
- Whistleblower Policy
- Procurement and Contracting Policy

Additionally, Treasurer Responsibilities and Process and a Reserve and Investment of Authority Funds Policy will be developed.

Develop a closing checklist(s) to use on a monthly, quarterly, and annual basis.

Staff and Treasurer will develop these checklists.

When extending a contract, include a thorough description, the term, and contract limit of approved contracts should be included in the Boards minutes to make it easier to identify

contract commitments for disclosure. Additionally, an extension letter, or formal agreement, should be executed and signed by all parties to document the rate per hour, contract limit, and term of extensions.

Added recommendation to draft Procurement and Contracting Policy and internal process checklists.

Request that regular billing cycles and established with consultants performing reoccurring work.

Staff will discuss with contractors and will aim to develop consistency.

Contract with a professional accountant to assist Staff and Treasurer in establishing and maintaining accounting processes and reporting.

Prepare an accounting services Request for Qualifications to explore costs associated with bringing on additional accounting support.

Recommendations

- Accept the Fiscal Year 2021-2022 audit documents provided by Richardson & Company, LLP.

COSUMNES GROUNDWATER AUTHORITY

Audited Financial Statements

June 30, 2022

COSUMNES GROUNDWATER AUTHORITY

Audited Financial Statements

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cosumnes Groundwater Authority
Elk Grove, California

Opinion

We have audited the accompanying financial statements of the Cosumnes Groundwater Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the 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 the Authority'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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The Authority has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Richardson & Company, LLP

September 18, 2023

COSUMNES GROUNDWATER AUTHORITY

STATEMENT OF NET POSITION

June 30, 2022

ASSETS

Current Assets

Cash and investments	\$ 149,490
Due from other governments	<u>156,982</u>

	TOTAL ASSETS <u><u>\$ 306,472</u></u>
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LIABILITIES

Current Liabilities

Accounts payable	\$ 15,287
Due to other governments	<u>25,560</u>

	TOTAL LIABILITIES <u>40,847</u>
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NET POSITION

Restricted for groundwater sustainability activities	<u>265,625</u>
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	TOTAL NET POSITION <u><u>265,625</u></u>
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	TOTAL LIABILITIES AND NET POSITION <u><u>\$ 306,472</u></u>
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The accompanying notes are an integral part of these financial statements.

CONSUMNES GROUNDWATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Period Ended December 1, 2021 (Date of Inception) through June 30, 2022

OPERATING REVENUES	
Member contributions	\$ 425,730
OPERATING EXPENSES	
Administration	89,020
Annual report	47,919
Legal	17,322
Groundwater monitoring	5,367
Miscellaneous	477
TOTAL OPERATING EXPENSES	<u>160,105</u>
CHANGE IN NET POSITION	265,625
Net position at date of inception	<u> </u>
NET POSITION AT END OF YEAR	<u><u>\$ 265,625</u></u>

The accompanying notes are an integral part of these financial statements.

CONSUMNES GROUNDWATER AUTHORITY

STATEMENT OF CASH FLOWS

For the Period Ended December 1, 2021 (Date of Inception) through June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 268,748
Cash paid to suppliers for goods and services	<u>(119,258)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	149,490
 INCREASE IN CASH AND CASH EQUIVALENTS	 149,490
 Cash and cash equivalents at date of inception	 <u> </u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 149,490</u>
 RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Net income from operations	\$ 265,625
Changes in operating assets and liabilities:	
Due from other governments	(156,982)
Accounts payable	15,287
Due to other governments	<u>25,560</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 149,490</u>

The accompanying notes are an integral part of these financial statements.

COSUMNES GROUNDWATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cosumnes Groundwater Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the Authority are described below.

Reporting Entity: The Authority was formed under a Joint Exercise of Powers Agreement on November 22, 2021 pursuant to the Joint Powers Act of the State of California (Government Code §§ 6500 et seq) between the Galt Irrigation District, Omochumne-Hartnell Water District, Clay Water District, the City of Galt, Sloughhouse Resource Conservation District, Amador County Groundwater Management Authority and the Sacramento County Groundwater Sustainability Agency (collectively “member agencies”) for the purpose of acting as the Groundwater Sustainability Agency (GSA) for the San Joaquin Valley, Consumnes Subbasin. The California State Legislature enacted the 2014 Sustainable Groundwater Management Act (SGMA) requiring the formation of a GSA to develop, implement and enforce a groundwater sustainability plan (GSP) for the each of the state’s groundwater basins of medium or high priority.

The Authority is governed by a Board of Directors comprised of one appointed member from each of the seven member agencies. The Authority had no employees or capital assets as of June 30, 2022. The Sloughhouse Resource Conservation District, a member agency, and the Southeast Sacramento County Agricultural Water Authority, a JPA comprised of member agencies, provide administration and technical support to the Authority.

Member agencies provide member contributions to the Authority assessed in equal installments in January and May each year that fund their respective share of Authority operating, administrative and other costs per section 5.2 of the Joint Exercise of Powers Agreement. Five of seven member agencies have established groundwater sustainability fees under California Water Code Section 10730 for this purpose, with the remaining two members funding the Authority’s contributions from existing funds. Section 10730 of the California Water Code allows groundwater sustainability agencies to impose fees, including, but not limited to, permit fees and fees on groundwater extraction or other regulated activity, to fund the Authority’s costs, including, but not limited to, preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

Basis of Presentation: The Authority’s resources are accounted for in these financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to stakeholders on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net

COSUMNES GROUNDWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

position. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund-type operating statements present increases (i.e., revenue) and decreases (i.e., expenses) in net position.

The Authority uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Nonexchange revenues are recognized when all eligibility requirements have been met. Cost reimbursement grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received before eligibility requirements are met they are recorded as unearned revenues until earned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are from member contributions comprised of groundwater sustainability fees. Operating expenses include professional services and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Position: Net position is categorized at the net investment of capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and amortization and any capital related payables, such as debt, reduces the balance in this category. The Authority had no capital assets at year-end.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Authority's net position is restricted for groundwater sustainability activities.

Unrestricted – This category represents net position of the Agency not restricted for any project or other purpose.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

New Pronouncements: In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement 1) defines the term 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 to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

COSUMNES GROUNDWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

June 30, 2022

NOTE B – CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consisted of bank deposits in the amount of \$149,490 at June 30, 2022.

Investment Policy: The Authority may invest assets in accordance with Government Code, Section 53600, Chapter 4 – Financial Affairs. The Authority has no investment policy and the Board of Directors has only approved the use of bank deposits.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority had no investments at year-end.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority had no investments at year-end.

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of this investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2022, the carrying amount of the Authority's deposits and balance in the financial institution was \$149,490, all of which was covered by federal depository insurance.

NOTE C – RELATED PARTY TRANSACTIONS

As discussed in Note A, the Authority is composed of seven member agencies that share common Board Members. The Sloughhouse Resource Conservation District is a member agency and the Southeast Sacramento County Agricultural Water Authority is a joint powers authority that is made up of member agencies. Both entities provided various administrative and technical services to the Authority under administrative services agreements. For the year ended June 30, 2022, the Authority reimbursed the Sloughhouse Resource Conservation District and the Southeast Sacramento County Agricultural Water Authority \$44,800 and \$44,220, respectively, for administration and technical support, of which \$25,560 was reported as due to other governments from these entities at June 30, 2022.

COSUMNES GROUNDWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

June 30, 2022

NOTE D – COMMITMENTS AND CONTINGENCIES

The Authority had the following contractual commitments outstanding as of June 30, 2022:

Administrative services:	
Sloughhouse Resource Conservation District	\$ 44,800
Southeast Sacramento County Agricultural Water Authority	44,660
Groundwater monitoring	<u>21,633</u>
	<u><u>\$ 111,093</u></u>

Concentrations: The Authority is funded solely by member contributions due in equal installments in January and May each year. A reduction of this revenue source, should it occur, would have a significant impact on the Authority's operations. The Authority currently maintains reserve funds to pay expenses prior to the first installment of member contributions being received in January.

NOTE E – SUBSEQUENT EVENTS

The Board of Directors approved consulting contracts for the purposes and not to exceed amounts below after June 30, 2022:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Technical support - annual report, DMS and GSP support, outreach and grant support	\$ 190,000	\$ 160,000	\$ 150,000	\$ 150,000
Administrative services:				
Sloughhouse Resource Conservation District	44,800	161,200		
Southeast Sacramento County Agricultural Water Authority	44,660			
Fee study		<u>75,722</u>		
	<u>\$ 279,460</u>	<u>\$ 396,922</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>



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GOVERNANCE LETTER

To the Board of Directors
Cosumnes Groundwater Authority
Elk Grove, California

We have audited the financial statements of the Cosumnes Groundwater Authority (the Authority) for the year ended June 30, 2022, and have issued our report thereon dated September 18, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We communicated such information to you in our engagement letter dated February 28, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statements. No new accounting policies were adopted by the Authority that affected the financial statements. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive accounting estimate affecting the financial statements is the collectability of outstanding receivables. We evaluated the key factors and assumptions used to develop the estimate in determining that it was reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures related to the related party transactions and commitments and contingencies disclosed in Notes C and D to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We proposed one audit adjustment during the audit, to reclassify amounts due from other governments, accounts payable and due to other governments that were included in the cash account.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

* * * * *

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Richardson & Company, LLP

September 18, 2023



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MANAGEMENT LETTER

To the Board of Directors and Management
Cosumnes Groundwater Authority
Elk Grove, CA

In planning and performing our audit of the financial statements of the Cosumnes Groundwater Authority (the Authority) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency.

Bank Reconciliation

We noted the Authority did not have a bank reconciliation that reconciled the Authority's cash in the QuickBooks general ledger to the bank statement at year-end, resulting in an audit adjustment being necessary. Bank reconciliations are important to determine whether all transactions that cleared the bank were appropriate and to identify reconciling items, including outstanding deposits and checks, that should be reflected in the general ledger for financial reporting purposes even though they did not clear the bank. Consequently, it is important for the Authority to ensure bank reconciliations are complete and accurate in the future.

During our audit, we also became aware of the following matters that have been included for your consideration:

Policies and Procedures

We noted the Authority does not have all typical policies and procedures that local governments normally have in place, including accounting policies and procedures, an employee expense reimbursement policy, an anti-fraud policy and a whistleblower policy. We recommend the Authority consider approving these policies, possibly by using policies of member agencies as a starting point.

We recommend the Authority develop a closing checklist to use on a monthly basis and recommend including a section for year-end items completed for the annual audit, such as reclassifications of amounts due to and from other governments for reporting purposes.

The Authority has a small number of contract staff performing accounting functions. We recommend the handling of cash receipts and cash disbursements be separated from the preparation of bank reconciliations to the extent possible. We recommend a member of the Board review the bank reconciliation if the person handling cash receipts and payments also reconciles the bank statement. We recommend a list of checks cut/electronic payments made be printed directly from QuickBooks software and be attached to the list of disbursements reviewed by the Board at each Board meeting so completeness of the list may be determined by the Board.

It would be helpful if the Authority included a thorough description, the term and contract limit of approved contracts in the Board minutes to make it easier to identify contract commitments for disclosure. We also noted the administration contracts with the Sloughhouse Resource Conservation District and Southeast Sacramento Agricultural Water Authority were extended without a formal document being signed by the Authority and these agencies. The board minutes documented the approval of the extension and the budget indicated amounts expected to be incurred, but the lack of a signed document created uncertainty as to the terms of the agreement for disclosure. We recommend at least an extension letter be executed and signed by the parties to document the rate per hour, contract limit and term of the extensions.

Form 700's

We noted the Authority was unable to verify all board members filed their Form 700's with their respective member agency. It is the Authority's responsibility to ensure all Form 700's were filed by Board members so we recommend each board member submit their form 700 to the Authority when they are filed.

* * * * *

This communication is intended solely for the information and use of the Board of Directors, management, and others within the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

Richardson & Company, LLP

September 18, 2023

Cosumnes Groundwater Authority

Procurement Policy

Draft Presented: October 4, 2023

PUBLIC CONTRACT BIDDING, VENDOR AND PROFESSIONAL/CONSULTANT SERVICES SELECTION, AND ENVIRONMENTALLY PREFERABLE PURCHASING PROCEDURES

The purpose of this policy is to affirm the Cosumnes Groundwater Authority (CGA) Directors' and Staff's authority and procedural requirements for procuring goods and services. The CGA shall continue to comply with the requirements of applicable government codes which sets forth the general powers of the Authority, including the power of contract.

1. **Purchasing Authority and Bidding:** There are three levels of purchasing authority for goods and services. If the estimated amount of the work is \$10,000 or less and is aligned with the adopted CGA Budget, the District Manager is authorized to approve the purchase. If greater than \$10,000 but less than \$30,000, the CGA Board is authorized to approve the purchase. For goods or services with an estimated cost of more than \$30,000, before approving a purchase a minimum of two, preferably three, bids or quotes will be sought. The basis for selection of the contractor shall include but not be limited to suitability of services or product to meet Authority's needs and preferences, budgetary considerations, and consultant's qualifications and experience. Legal recommendations from Counsel may also be considered.
2. **Environmentally Preferable Purchasing Procedures:** CGA is dedicated to minimizing our negative impacts on the climate and natural resources. To do so, the Authority may take into account the following information if available when identifying, soliciting, and evaluating products or services procured with funds administered by CGA:
 - a. Prioritize waste reduction and cost efficiency opportunities by identifying alternative options to the purchase of new products.
 - b. Integrate environmental factors from products' entire lifecycle into the CGA's buying decisions including, but not limited to:
 - Conserve water and natural resources and minimize the use of electricity and fuel.
 - Reduce waste in the manufacturing, use, and packaging of products.
 - Extend the lifecycle of the product.
 - Evaluate the environmental performance of vendors in products and services.
 - Consider factors that provide other environmental and health benefits.
 - c. Utilize eco-labels established by independent and widely recognized

authorities, or standards/specifications developed by other governmental or non-governmental organizations, that are determined to be meaningful and effective by CGA.

- d. Consider distance traveled when scoring bids from subcontractors to factor in greenhouse gas emissions for project completion. Minimizing travel reduces greenhouse gas emissions thus minimizing project-related climate impacts.

CGA shall seek to maintain environmentally preferable purchasing standards and specifications that promote continuous improvement of environmental performance and cost competitiveness in the marketplace.

3. **Emergency Procurements:** In an emergency, defined as a situation where there is an immediate threat to life or property or where there is, or could be, a disruption of a vital public service; an emergency procurement may be approved verbally by the Chairman of the Board of Directors, after communicating with available directors; which emergency communication is believed to be authorized by the Brown Act. When an emergency purchase is made, the purchase order for the transaction shall be prepared and approved as soon as possible. For emergency procurement exceeding \$10,000, a full accounting of such emergency expenditures by Staff will be reported to the Board at the next regular board meeting. Any purchase orders shall include documentation certifying the emergency.
4. **Existing Contracts:** All existing contracts currently in place at the time of adoption of this policy, or any renewal of those contracts for similar term are not required to meet the requirements set forth in this policy.
5. **Conflict of Interest:** Authority employees with a fiscal relationship with a person or business entity seeking a contract with the Authority shall not participate in the selection process for that contract. (Cal. Gov. Code § 4527 (b))
6. **Sole Source Contracts:** In the event that a necessary service will cost over \$10,000 and only one consultant or consultancy has the unique experience or expertise to provide that service, the Authority may consider a sole source contract without requiring a minimum of two bids for the necessary service. Such a contract must be approved by the Board in a one-time resolution that details justification for the sole-source decision for that contract only.

PASSED AND ADOPTED on this ____ day of November, 2023, by the following vote, to- wit:

AYES:

NOES:

ABSENT:

I, the undersigned, hereby certify that I am the duly appointed and acting Secretary of the Cosumnes Groundwater Authority, and that at a meeting of the Board of Directors of the Authority held on _____, 2024 that this Procurement Policy was adopted and has not been rescinded or amended since the date of its adaptation and that it is now in full force and effect.

Brittany Friedman, CGA Secretary

Date

Cosumnes Groundwater Authority

Reimbursement Policy

Draft Presented: October 4, 2023

The purpose of this policy is to guide the Cosumnes Groundwater Authority (CGA) in reimbursing Directors and Staff for expenditures they accrue while doing work for CGA. Consultants are not covered under this policy; they are governed by their contractual agreement with CGA.

General Rule

A Director or Staff may be entitled to reimbursement for any actual and necessary expenses incurred in the performance of official duties for CGA, provided that the amount of the expenses does not exceed the reasonable reimbursement rates set forth in this Reimbursement Policy, and provided that the amount of the expense does not exceed the amount budgeted for such expense.

Official Duties

Costs associated with the following “official duties” are eligible for reimbursements:

1. Expenses incurred by the person for which there is reasonable connection with the Authority’s adopted policy position, purpose, or goal.
2. Attending meetings, seminars, or events at the direction or request of the Authority.
3. Operating expenses for Authority events (e.g.: meeting spaces, deposits, printing costs, etc.)

Actual and Necessary Expenses

Those seeking reimbursements are entitled to reimbursements only for actual and necessary expenses incurred in the performance of official duties. This shall not include any costs related to gifts to any third-party, personal entertainment or recreation, political campaign activities, or charitable contribution.

Reasonable Reimbursement Rates

The following activities can be approved by Staff. Any expenses not identified below will be approved on a case by case basis by the Board at public meeting.

1. Travel: Travel to approved events by personal vehicle for trips up to a 100-mile radius from the persons home. Travel will be reimbursed in accordance with the current Internal Revenue Service rate for mileage reimbursement.
2. Misc. Travel: Additional miscellaneous approved travel expenses up to \$100 per day. This includes parking, tolls, meals, etc.

3. Board Approved Events: If the Board directs a Director or Staff Person to attend an event that will require other expenses (lodging, additional travel, registration, etc.), additional approval for other expenses will not be needed and Board may consider event specific reimbursement limits for such items as meals, travel, lodging etc.; or the Board may set a per-diem amount in which case the attendee shall know with certainty what reimbursement will be made.

Procedure

Those seeking reimbursement should submit the claim to Staff who will include the matter in the next “financial report” to be approved by the Board. Claims should be submitted in a timely manner but must be made within one year of occurrence.

Annual Disclosure

In accordance with Government Code Section 53065, the Authority will disclose any reimbursement paid by the Authority within the immediately preceding fiscal year of at least one hundred dollars (\$100) for each individual charge for services or product received. “Individual charge” includes, but is not limited to, one meal, lodging for one day, transportation, or a registration fee paid to any employee or member of the Board. An annual disclosure report will be posted to the Authority’s website within one week following the end of each fiscal year.

PASSED AND ADOPTED on this ____ day of November, 2023, by the following vote, to- wit:

AYES:

NOES:

ABSENT:

I, the undersigned, hereby certify that I am the duly appointed and acting Secretary of the Cosumnes Groundwater Authority, and that at a meeting of the Board of Directors of the Authority held on _____, 2024 that this Reimbursement Policy was adopted and has not been rescinded or amended since the date of its adaptation and that it is now in full force and effect.

Brittany Friedman, CGA Secretary

Date

Cosumnes Groundwater Authority

Fraud Policy

Draft Presented: October 4, 2023

The purpose of this policy is to establish Authority administrative guidelines for clarifying acts that are considered to be fraudulent or dishonest activity, describe management and investigative steps to be taken when fraud or other related dishonest activities are suspected and provide procedures to follow in accounting for missing funds, restitution and recoveries. The policy shall also provide reference to protection for directors, officers, employees and other persons who report such conduct or activities.

General

- a. The Cosumnes Groundwater Authority (CGA) is committed to protecting its revenue, property, information and other assets against the risk of loss or misuse. Accordingly, it is the policy of the CGA to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the CGA and, when appropriate, to pursue legal remedies available under the law.
- b. This policy applies to any irregularity, or suspected irregularity, involving employees, consultants, vendors, contractors, outside agencies, and any other parties with a business relationship with CGA.
- c. This policy is an internal policy for the management and investigation procedures.
- d. All employees are responsible for the detection, reporting and prevention of fraud, misappropriations and other irregularities.

Definitions

The following definitions are used herein:

Fraud – the intentional false representation or concealment of facts for the purpose of personal gain for oneself or others; or inducing another to act similarly. Fraud and other similar irregularities include, but are not limited to:

- a. Claim for reimbursement of expenses that are fictitious or are not job-related or authorized by current regulations.
- b. Forgery or unauthorized alteration of documents (checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets, etc.).

- c. Misappropriation, misapplication, destruction, removal or concealment of AWA assets (funds, securities, supplies, furniture, equipment, etc.).
- d. Theft of any asset (money, tangible property, etc.)
- e. Improprieties in handling or reporting of money transactions.
- f. Authorizing payment for goods not received or services not performed excluding prepayments that were preapproved by the Board of Directors or Administrator.
- g. Authorizing or receiving compensation for hours not worked.
- h. Computer-related activity involving unauthorized alteration, destruction, forgery or manipulation of data or misappropriation of CGA-owned software.
- i. Knowing misrepresentation of information on documents.
- j. Any apparent violation of Federal, State or Local laws related to dishonest activities or fraud.
- k. Seeking or accepting anything of material value for personal gain from those doing business with the Agency including vendors, consultants, contractors, lessees, applicants and grantees, provided, however, that this shall not be deemed to apply to campaign contributions otherwise permitted by law.

Employee – In this context, employee refers to any individual or group of individuals who receive compensation from AWA for work performed on either a full- or part-time basis. The term also includes any volunteer who provides services to CGA through an official arrangement with CGA.

Management – In this context, management refers to any administrator, manager, director, supervisor or other individual who manages or supervises CGA funds or other resources.

1. Investigator – In this context, Investigator refers to any person or persons assigned by CGA Administrator to investigate any fraud or similar activity (with the concurrence of the Board of Directors, if the Administrator is involved in the inappropriate activity).
2. External Auditor – In this context, External Auditor refers to independent audit professionals who perform annual audits of CGA financial statements.

3. It is CGA's intent to fully investigate any suspected acts of fraud, misappropriation or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title or length of service or relationship with the CGA of any party who might be or become involved in or becomes the subject of such investigation.
4. The Investigator has the primary responsibility for the investigation of all activity as defined in this policy.
5. Throughout the investigation, the Investigator will inform the General Manager of pertinent investigative findings, unless the General Manager is the subject of the investigation, in which case, the Investigator will inform the CGA's Attorney or the Board of Directors of the pertinent investigative findings.
6. Employees will be granted whistle-blower protection when acting in accordance with this policy. Whistle-blower protections shall not, however, be deemed to affect the right of CGA to investigate or take disciplinary action against a whistle-blowing employee for that employee's own improprieties, even if such improprieties are involved in the one for which the employee was a whistle-blower.
7. Upon conclusion of any investigation, the results will be reported to the Administrator, unless the Administrator is the subject of the investigation, in which case, the Investigator will inform CGA's Attorney of the results.
8. The Administrator, following review of investigation results, will take appropriate action regarding employee misconduct. Disciplinary action can include termination, and referral of the case to the CGA Attorney for possible prosecution. If the Administrator is the subject of the investigation, and the CGA Attorney determines further action is required, then the CGA Attorney shall consult with the Board of Director's which may take appropriate action.
9. CGA will pursue every reasonable effort, including court ordered restitution, to obtain recovery of CGA losses from the offender, or other appropriate sources.

Procedures

Management Responsibilities:

- a. Responsible for being alert to, and reporting fraudulent or related dishonest activities in their areas of responsibility.
- b. **Management, in this case the Administrator, is also responsible for establishing and maintaining a reasonable system of internal controls to ensure the detection and prevention of fraud or other irregularities and should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that**

- improper activity, misappropriation or dishonest activity is or was in existence in his or her area.**
- c. When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.**
 - d. Management should not attempt to conduct individual investigations, interviews or interrogations. However, management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions.**
 - e. Management should support the CGA's responsibilities and cooperate fully with the Investigator, other involved departments and law enforcement agencies in the detection, reporting and investigation of criminal acts, including the prosecution of offenders.**
 - f. Management must give full and unrestricted access to all necessary records and personnel. Except as otherwise expressly provided by state or federal law, all CGA furniture and contents, including desks and computers, are open to inspection at any time. There is no expectation of privacy.**
 - g. In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management should avoid the following:**
 - 1. Incorrect accusations.**
 - 2. Alerting suspected individuals that an investigation is underway.**
 - 3. Treating employees unfairly.**
 - 4. Making statements that could lead to claims of false accusations or other offenses.**

Investigator's Responsibilities.

- a. Upon assignment, the Investigator will promptly investigate the fraud.**
- b. In all circumstances where there appears to be reasonable grounds for suspecting that a criminal fraud has taken place, the Investigator, in consultation with the CGA Attorney, will contact the Sacramento County Sheriff's Department. Notwithstanding the foregoing, if the Sacramento County Sheriff Department is involved in the fraud, then the Investigator, in consultant with the CGA Attorney, may contact an alternative law enforcement agency.**
- c. The Investigator shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.**
- d. If evidence is uncovered showing possible dishonest or fraudulent activities, then the Investigator will proceed as follows:**
 - 1. Discuss the findings with the Administrator and/or CGA Attorney (unless any such individual is the subject of the investigation).**

2. Meet with the Administrator (or CGA Attorney if the investigation concerns the Administrator) to:
 - a. Determine if disciplinary actions should be taken.
 - b. Report to the External Auditor such activities in order to assess the effect of the illegal activity on CGA's financial statements.
 - c. Coordinate the notification to insurers and the filing of insurance claims.
3. Take immediate action, in consultation with the CGA Attorney (unless the investigation concerns the CGA Attorney), to prevent the theft, alteration or destruction of evidentiary records. Such action shall include, but is not limited to:
 - a. Removing the record or other evidence and placing them in a secure location, or limiting access to the records or other evidence.
 - b. Preventing the individual suspected of committing the fraud from having access to the records.
4. In consultation with the CGA Attorney (unless the investigation concerns the CGA Attorney) and the Sacramento County Sheriff Department, the Investigator may disclose particulars of the investigation to potential witnesses if such disclosure would further the investigation.
5. If the Investigator is contacted by the media regarding an alleged fraud or audit investigation, then the Investigator will consult with the Administrator and the CGA Attorney, as appropriate, before responding to a media request for the information or interview.
6. At the conclusion of the investigation, the Investigator will document the results in a confidential memorandum report to the Administrator or CGA Attorney. If the report concludes that the allegations are founded, then the report will be forwarded to the Sacramento County Sheriff Department or alternative law enforcement agency.
7. The Investigator will be required to make recommendations to the appropriate department for assistance in the prevention of future similar occurrences.
8. Upon completion of the investigation, including all legal and personnel actions, all records, documents and other evidentiary material obtained from the department under investigation will be returned by the Investigator to that department.

Corrective Actions and Discipline. Appropriate and timely action will be taken against those proven to have committed a fraudulent or dishonest act. The remedial actions may include, but are not limited to:

- a. Disciplinary action (up to and including immediate termination of employment).
- b. Restitution for all losses, including investigation and legal expenses, to the

fullest extent of the law.

- c. Forwarding information to the appropriate authorities for criminal prosecution.
- d. Institution of civil action to recover losses.

The Cosumnes Groundwater Authority may take corrective or disciplinary action without awaiting the resolution of criminal or civil proceedings arising from the fraudulent or dishonest conduct.

Exceptions. There will be no exceptions to this policy, unless approved in writing by the Administrator and Board of Directors. No exception will be valid if the person authorizing the exception is himself/herself the subject of the related allegation.

PASSED AND ADOPTED on this ____ day of November, 2023, by the following vote, to- wit:

AYES:

NOES:

ABSENT:

I, the undersigned, hereby certify that I am the duly appointed and acting Secretary of the Cosumnes Groundwater Authority, and that at a meeting of the Board of Directors of the Authority held on _____, 2024 that this Fraud Policy was adopted and has not been rescinded or amended since the date of its adaptation and that it is now in full force and effect.

Brittany Friedman, CGA Secretary

Date

Cosumnes Groundwater Authority

Whistleblower Policy

Draft Presented: October 4, 2023

There will be no retaliation against anyone for complaining of, reporting, or participating in any investigation of alleged harassment, discrimination, or unlawful activity.

Authority Complaint Procedure

Both the State and Federal governments have agencies whose purpose is to address unlawful discrimination in the workplace. If an individual who provides services to the Authority believes they have been harmed by an unlawful practice, and is not satisfied with the Authority's response to the problem, they may file a written complaint with these agencies. For the State of California, the agency is called the Department of Fair Employment and Housing ("DFEH"). The local address for the DFEH is: 2218 Kausen Drive, #100, Elk Gove, CA 95758. For the Federal Government, the agency is called the Equal Employment Opportunity Commission ("EEOC"). The local address for the EEOC is: 1301 Clay Street, #1170, Oakland, CA 94612.

If, after an investigation hearing, either of these agencies finds that unlawful discrimination has occurred, the injured employee may, depending on the circumstances, be entitled to reinstatement or promotion, with or without back pay.

Retaliation

Retaliation against any individual for making a report, or for participating in an investigation, under this policy is strictly prohibited. Individuals are protected by law and by Authority policy from retaliation for opposing unlawful discriminatory practices, for filing an internal complaint under this policy or for filing a complaint with DFEH or EEOC, or for otherwise participating in any proceedings conducted by the Authority under this policy and/or by either of these agencies.

Policy

Authority employees are required to observe and uphold a high standard of professional and personal conduct and ethics while fulfilling their job duties. All employees of the Authority should promptly report occurrences of illegal or unethical behavior or workplace wrongdoing (including violation of any law or Authority policy), and may do so without fear of retribution.

No employee shall directly or indirectly retaliate or cause retaliation to occur against any employee or person doing business with the Authority who reports alleged wrongdoing, including, but not limited to, intimidation, threatening, coercing, commanding or influencing another person to refrain from filing a good faith report of wrongdoing.

PASSED AND ADOPTED on this ____ day of November, 2023, by the following vote, to- wit:

AYES:

NOES:

ABSENT:

I, the undersigned, hereby certify that I am the duly appointed and acting Secretary of the Cosumnes Groundwater Authority, and that at a meeting of the Board of Directors of the Authority held on _____, 2024 that this Whistleblower Policy was adopted and has not been rescinded or amended since the date of its adaptation and that it is now in full force and effect.

Brittany Friedman, CGA Secretary

Date