Stanislaus County Civil Grand Jury
Special District Audit Requirement
Case #11-32GJ

SUMMARY:

The 2010/2011 Stanislaus County Civil Grand Jury reviewed compliance by special districts with their audit reporting requirements as per California Government Code (CGC) Section 26909. The Stanislaus County Civil Grand Jury discovered that several special districts are not complying with the auditing requirements. The Stanislaus County Civil Grand Jury also discovered that one special district has been out of compliance with their auditing requirements since 1995.

GLOSSARY:

CGC Section 26909	California Special District Audit Requirements.
Unqualified Opinion**:**	Auditor's opinion of a financial statement, given without any reservations. Such an opinion basically states that the auditor feels the company followed all accounting rules appropriately and that the financial reports are an accurate representation of the company's financial condition.
Qualified Opinion:	Qualified Opinion report is issued when the auditor encountered one of two types of situations which do not comply with generally accepted accounting principles; however the rest of the financial statements are fairly presented.

METHODOLOGY OF INVESTIGATION:

The investigation into Audit compliance by special districts took place between August 2010 and March 2011. During the investigation the following actions were taken by the investigating committee:

1. The committee interviewed the Auditor-Controller for Stanislaus County as well as management staff within the Auditor-Controller's office.
2. The committee reviewed audit logs.
3. The committee contacted all special districts that were not in compliance.
4. The committee interviewed the Director of the Monterey Track Park special district which has been out of compliance since 1995.

FINDINGS:

F1: There are thirty-six special districts within Stanislaus County that the Stanislaus County Grand Jury has authority to conduct audit reviews.

- www.stancounty.com/board/cob

F2: Of the thirty-six special districts, seven are not in compliance with their audit requirement. The following special districts are in the process of completing their audit.

- West Port Fire
- Woodland Fire
- Riverdale Park Community Service

The following are not compliance and do not have a plan of correction in place as of March 31, 2011:

- Knights Ferry Community Service.
- Monterey Park Community Service.
- East Stanislaus Resource Conservation.
- Sand Creek Flood Control.

F3: There has not been an audit conducted of the Monterey Park Community Service district since 1995.

F4: The lack of proper record keeping within the Monterey Park Community Service district would prevent the district from obtaining a qualified opinion from a Certified Public Accountant regarding the financial statements.

RECOMMENDATIONS

The Stanislaus County Civil Grand Jury recommends the following:

R1: No recommendation.

R2: The Stanislaus County Auditor-Controller contact the following Special Districts and develop a timeline to ensure the completion of the required audits.

- Knights Ferry Community Service
- East Stanislaus Resource Conservation
- Sand Creek Flood Control

R3: The Stanislaus County Auditor-Controller hire a qualified forensic accounting firm to complete an audit of the Monterey Park Community District.

REQUESTS FOR RESPONSES:

Stanislaus County Auditor-Controller.

This report of case #11-32GJ is issued by the 2010-2011 Stanislaus County Civil Grand Jury with the following exception: no members of the grand jury volunteered to recuse themselves due to a perceived conflict of interest.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code § 929 requires that reports of the Grand Jury not contain the name of any person, or facts leading to the identity of any person who provides information to the Civil Grand Jury. The California State Legislature has stated that it intends the provisions of Penal Code § 929 prohibiting disclosure of witness identities to encourage full candor in testimony in Civil Grand Jury investigations by protecting the privacy and confidentiality of those who participate in any Civil Grand Jury investigation