

County of Santa Clara
Central Fire Protection District



24-1911

DATE: February 6, 2024 (Item No. {{item.number}})
TO: Governing Board of the Santa Clara County Central Fire Protection District
FROM: Suwanna Kerdkaew, Fire Chief
SUBJECT: Accept Reports related to FY2023 Audit of the Central Fire District

RECOMMENDED ACTION

Receive reports from the Santa Clara County Central Fire Protection District relating to the Fiscal Year 2022-2023 Annual Comprehensive Financial Report and Memorandum on Internal Control and Required Communications.

FISCAL IMPLICATIONS

The attached reports are informational in nature and are critical aspects of the Board's financial oversight of the Santa Clara County Central Fire Protection District.

REASONS FOR RECOMMENDATION AND BACKGROUND

This Legislative File presents the Fire District's Audit Reports: Annual Comprehensive Financial Report (ACFR) and Memorandum on Internal Control and Required Communication. The Fire District was not required to undergo a Single Audit in 2023 since the total amount of funds received from federal assistance was under the \$750,000 threshold.

1. Fire District Financial Statements - The auditors issued a clean (unmodified) opinion on the Fire District's financial statements for the year ended June 30, 2023.

The Annual Comprehensive Financial Report (ACFR) – Prepared according to the accounting and reporting standards set by the Government Accounting Standards Board (GASB), the ACFR is organized into the following sections:

- a. The Introductory Section contains information that familiarizes the reader with the Fire District's organizational structure, nature and scope of services it provides, and specifies its legal operating environment. This section also includes a letter from the Fire Chief and Director of Business Services highlighting significant matters presented in the financial statements.
- b. The Financial Section includes the independent auditor's report on the basic financial statements, the Management's Discussion and Analysis (MD&A) of the Fire District's overall financial position and changes in financial position, the audited financial statements, note disclosures, required supplemental

information (other than MD&A), and other combining statements and schedules to provide readers with a comprehensive understanding of the Fire District's financial activities of the past year.

- c. The Statistical Section provides detailed information as a context for understanding the information presented in the basic financial statements.
2. Memorandum on Internal Control and Required Communications - These reports satisfy the auditors' requirement to make certain communications to the governing board and management.
- a. Memorandum on Internal Control - The auditors did not identify any deficiencies in internal control that they considered to be a material weakness. However, the auditors did identify an opportunity to strengthen internal controls and operating efficiencies. The auditor's recommendation is presented and identified in the Memorandum on Internal Controls in the Schedule of Other Matters and includes the Fire District's acceptance and response to the recommendation. Provided below is the auditors recommendation and the Fire District's response to the Schedule of Other Matters recommendation regarding the timely posting of journal entries, even if the District is short staffed.

We recommend that Finance make journal entry processing a priority and establish procedures to ensure monthly journal entries are prepared, reviewed, and posted timely, even if the District is short staffed.

The Fire District concurs with the recommendation and will establish a procedure to ensure the timely posting of journal entries. The Fire District has already put into place the reduction and transition of several voluminous procurement card journal entry transactions to accounts payable transactions. The Fire District has also taken steps to dedicate more resources to the finance function of the Fire District. In June 2023, the Information Technology unit transitioned to its own division and out of the Business Services Division – thereby reducing the direct reports of the Business Services Director by almost half. Additionally, the Fire District is exploring the addition of a third analyst level position to support the finance function of the Fire District in fiscal year 2024. These changes will better enable the Business Services Division to prioritize the preparation, review, and timely posting of journal entries, with redundant staffing to reduce the negative impact of short staffing periods.

- b. Required Communications – The auditors did note any concerns or issues in their letter on required communications. This letter covered such topics as accounting policies, unusual transactions, disclosures, corrected or uncorrected misstatements, disagreements with management, and other audit findings or issues.

The Fire District's Comprehensive Annual Financial Report for the fiscal year ending June 30, 2022, was awarded a certificate of achievement for excellence in financial reporting by

the Government Finance Officers' Association of the United States and Canada (GFOA). This was the ninth consecutive year the Fire District achieved this prestigious award. The Fire District's Fiscal Year 2023 report was also submitted to the GFOA for consideration of the achievement for excellence in financial reporting award.

Copies of the Fire District's ACFR and Memorandum on Internal Control and Required Communications for the year ended June 30, 2023, are on file at the Fire District's main office in Los Gatos and the ACFR will be posted on the Fire District's website following acceptance by the Board.

CHILD IMPACT

The recommended action will have no/neutral impact on children and youth.

SENIOR IMPACT

The recommended action will have no/neutral impact on seniors.

SUSTAINABILITY IMPLICATIONS

The recommended action will have no/neutral sustainability implications.

CONSEQUENCES OF NEGATIVE ACTION

The report will not be received.

STEPS FOLLOWING APPROVAL

No further action is required following acceptance of these reports.

ATTACHMENTS:

SCCFD Annual Comprehensive Financial Report FY 2023

SCCFD Required Communications FY 2023

SCCFD Memorandum on Internal Control FY 2023