

**PROGRESS SUMMARY FOR IMPLEMENTING RECOMMENDATIONS OF THE CALIFORNIA STATE AUDITORS REPORT
(APRIL 2015)**

STATE AUDIT RECOMMENDATIONS:	IMPLEMENTATION STATUS FOR RECOMENDATION
<p>The board should ensure that management continues to develop and strengthen its controls over the district's financial and administrative functions. For example, <u>district management should fully implement all of the external auditor's remaining recommendations by June 30, 2015</u>. Management should also ensure that its staff follow these policies and should create and implement a plan for monitoring its system of controls. The board should also consider periodically contracting with qualified professionals to conduct a review of the effectiveness of the district's system of internal controls.</p>	<p>Of the 15 findings from the external auditor, 12 are implemented, 2 are in progress, and 1 is still pending. The District will have all of the external financial audit recommendations implemented by June 30th 2015. These will be codified in a new Financial Practices and Controls Policy (Accounting Policy), which will be developed and approved within Q1 of the new FY 2015-16. Future financial audit scopes will include steps to monitor compliance with the new FPC Policy.</p>
<p>The district should strengthen its financial and administrative policies to:</p> <ol style="list-style-type: none"> 1. Make it clear that the activities of approving invoices, recording invoices, preparing checks, and reconciling bank statements should be performed by separate individuals. 2. Make it clear who is responsible for reviewing and approving monthly bank reconciliations. 3. Limit California lodging costs to the rate set by the state of California for its employees, and limit any out-of-state lodging costs to rates set by the federal government for its employees. In addition, the district should remove from its travel policy the reimbursement for exercise equipment use. 4. Require periodic reporting of financial information to the board. 5. Require a periodic review to ensure that only appropriate personnel are included as authorized signers on financial accounts. 6. Establish an appropriate system for tracking and valuing inventory. 7. Require employees to obtain their supervisor's approval before working paid overtime. 8. Require all employees, including managers, to complete timesheets to track time worked and any compensated time off. 9. Develop and document a process for reviewing and monitoring designated employees' and board members' filing of Form 700. 10. Develop and document a policy that requires board members and designated employees to attend ethics training biannually and a process for monitoring attendance. 	<p>RVSD has some of these recommendations in practice now, and will also codify in policies as follows.</p> <ol style="list-style-type: none"> 1. Standard practice currently. New Financial Practices and Controls Policy will codify the practice. 2. Will include in new Financial Practices and Controls Policy (Accounting Policy). 3. Will update recently adopted reimbursement policy to clarify the lodging limits and remove reimbursement for exercise equipment use. 4. Standard practice now for monthly, quarterly, and annual reports. Will codify this practice in the new FPC Policy. 5. Will include in new FP&C Policy. 6. In progress. Expect to have recommended inventory controls by end of FY 2015-16. 7. Practice implemented. Will adopt policy in FY 2015-16. 8. Practice implemented. New electronic time sheet system for all employees to be in use by start of FY 2015-16 (July 2015). Will include in new FP&C Policy. 9. Will include in new / revised Conflict of Interest Policy, by Q1 of FY 2015-16. 10. Will include in new/revised Conflict of Interest Policy.

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<p>To clarify the roles and responsibilities of board members, the district should</p> <ol style="list-style-type: none"> 1. Create a more comprehensive board member manual, addressing best practices in the <i>Special District Board Member/Trustee Handbook</i>. 2. Provide training for board members and clarify Board roles and responsibilities. 	<ol style="list-style-type: none"> 1. Board Member Orientation Binder will be revised to include the California Special Districts Association (CSDA) Handbook. 2. Board policies will be updated to specify Board Director duties and responsibilities, similar to a job description. Professional development and minimum required training will be added to address Board roles in financial management, public contracting, human resources, and other key areas.
<p>The District should address the following compensation and benefits issues:</p> <ol style="list-style-type: none"> 1. Reduce salary ranges for all positions to be more closely aligned with industry averages. 2. Cost of Living Adjustments (COLA's) s should tie to an appropriate cost-of-living index. 3. Compensation changes should be tied to merit and performance. 4. Longevity pay should clearly justified for retention or other legitimate purposes, or ended. 5. The district should revise its employee retirement contribution policy, and require all employees to contribute an appropriate amount to their pensions. 6. The district should discontinue paying its employees \$300 annual gym memberships. 	<p>The Board will direct the General Manager and Human Resources to consider these goals for both AFSCME represented and all non-represented employees. The existing agreement with AFSCME expires at the end of June 2015, and labor negotiations are currently in progress.</p>
<p>The Board should develop robust policies that outline how it will establish future compensation for all district positions, including salary surveys for comparable public agencies.</p>	<p>The Board will develop and adopt a Compensation Policy, outlining the goals, objectives, and methodology used to establish RVSD compensation levels for all positions. This will be adopted by Q1 of FY 2015-16.</p>
<p>The district should develop a policy that establishes the criteria to be used when evaluating the general manager's performance and for determining any merit-based compensation increases.</p>	<p>A new "General Manager Contracting, Performance Review, and Compensation Policy" will be developed to codify the practices used in the last two annual contract and compensation updates, as reviewed by the State audit team.</p>
<p>The board should reapprove all emergencies at each board meeting, terminate emergency declarations as soon as possible, to ensure competitive bidding for non-emergency work.</p>	<p>The Board and management will take all necessary actions to ensure compliance with this state legal requirement, as it has done for all emergency contracting done in the past two fiscal years.</p>

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<p>The district should use a competitive process when contracting for professional services, and justify its use of non-competitive (sole source) procurement for professional services when used.</p>	<p>The District's recently approved procurement policy will be updated to include clear guidelines for professional services contracting and factors considered in justifying sole source professional services.</p>
<p>The District should obtain a written estimate of services and costs for legal counsel, before engaging in litigation.</p>	<p>The District is currently following the recommendation.</p>
<p>The district should ensure that it has access to qualified human resources professionals. The current HR recommendations (Table 3 of Audit Report) should be implemented, including</p> <ol style="list-style-type: none"> 1. Improve its performance management system to ensure staff receive required annual performance evaluations. 2. Develop and document a policy that requires board members and supervisors to attend bi-annual harassment prevention training. 	<p>The District will continue the work it began in late 2013 to make sure that professional human resources management resources are an integral part of the District management team. The Table 3 recommendations are being implemented currently, with further progress and completion expected on the timelines listed in Table 3. Performance management standards and practices are being reviewed and updated. A policy will be adopted for the recommended bi-annual harassment prevention training.</p>