



Legislation Details (With Text)

File #:	2018-425	Version:	1	Name:	
Type:	Consent	Status:		Agenda Ready	
File created:	6/7/2018	In control:		Carson Reclamation Authority	
On agenda:	7/3/2018	Final action:			
Title:	REPORT ON THE AUDIT OF THE RECORDS AND ACCOUNTS OF THE CARSON RECLAMATION JOINT POWERS AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017				
Sponsors:					
Indexes:					
Code sections:					
Attachments:	1. CRA Statement of Position and Activities, 2. Independent Auditors' Report on Internal Control Over Financial Reporting FYE 6-30-2017, 3. CAFR FYE June 30, 2016, 4. CAFR FYE June 30, 2017, 5. File Summary				

Date	Ver.	Action By	Action	Result
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Report to Carson Reclamation Authority

Tuesday, July 03, 2018

Consent

SUBJECT:

REPORT ON THE AUDIT OF THE RECORDS AND ACCOUNTS OF THE CARSON RECLAMATION JOINT POWERS AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017

I. SUMMARY

According to Section 3.09 of the Bylaws of the Carson Reclamation Joint Powers Authority (Authority), the records and accounts of the Authority shall be audited annually by an independent Certified Public Accountant.

The audit was conducted by White Nelson Diehl Evans, LLC (Auditor). The report on the audit was completed and is being presented to the Board at today's meeting.

II. RECOMMENDATION

1. RECEIVE and FILE.

2. AUTHORIZE staff to submit the financial reports to the Auditor-Controller of the

County of Los Angeles.

III. ALTERNATIVES

NONE

IV. BACKGROUND

Section 3.09 of the Bylaws of the Carson Reclamation Joint Powers Authority requires an annual audit of the records and accounts of the Authority by an independent Certified Public Accountant. The Section further provides for the filing of the audit reports within 12 months after the end of the fiscal year under audit with each Member of the Authority Board.

On June 8, 2016, the City of Carson awarded a 5-year professional services agreement to White Nelson Diehl Evans, LLC for the financial audit of the City and other reporting entities including the Carson Reclamation Authority. For the Authority, the engagement begins with the audit of the records and accounts for the year ended June 30, 2016 for a total cost of \$11,980.

The 2016 report was not presented timely to the Authority Board Members because staff sought a determination regarding full compliance with the legal and financial reporting standards. After a long and exhaustive evaluation, the decision was to include the financial statements of the Authority in the Comprehensive Annual Financial Report or CAFR of the City as a discretely presented component unit. The Auditor indicated in the report that the financial activities of the Authority are blended with the financial activities of the City because of the operational responsibility the City has as well as the significant financial relationship it has with the City. The Auditor added that it would be misleading to exclude the Authority from the financial statements of the City of Carson because of the following reasons: (1) the Authority was formed to remediate contamination of a 157-acre site within the City boundaries; (2) the Authority aims to make said property marketable in order to create economic development opportunities for the benefit of the City; (3) and the management oversight of the Authority is performed by the City's Assistant City Manager for Economic Development.

Summarized below are the salient information from the report of the Auditor for the years ended June 30, 2016 and 2017.

1. The Auditor rendered an unqualified opinion on the financial statements which, in all material respects, presented fairly the financial position of the

Authority, in conformity with generally accepted accounting principles.

2. The total asset of the Authority as of June 30, 2017 was \$132.2 million of which \$88 million consists of restricted and unrestricted cash and investments.
3. There is a \$70.9 million long-term landfill remediation liability which consists of \$64.8 million cost of landfill closure for cells 1 through 5 and a 3-year estimate of \$6.1 million of the cost of operation and maintenance of the landfill system.
4. The net position of the Authority is at \$59.5 million as of June 30, 2017 which includes \$36 million Investment in Land.

More information on the financial profile of the Authority for the 3-year fiscal period (2015, 2016, 2017), as sourced from the CAFR, is attached as Exhibit No. 1. The CAFR for 2016 and 2017 are also attached to this report as Exhibit Nos. 3 and 4.

The Auditor also issued a Report on Internal Control and Compliance on Audit of Financial Statements. (Exhibit No. 2) In this report, the Auditor cited material weaknesses in the internal controls associated with the Carson Reclamation Authority such as the failure to conduct a physical inventory count at fiscal yearend, non-recording and non-amortizing the multi-year insurance policies, non-recording of the liability for closure and post-closure landfill costs, and incorrectly inputting the budget amount for one account.

The City of Carson Finance Department responded to the findings of the Auditor as follows: that a fiscal yearend physical inventory will be performed, and a closer review of CRA transactions will subsequently be conducted.

As stipulated also in Section 3.09 of the CRA By-Laws, the copies of the reports will also have to be provided to the Auditor-Controller of the County of Los Angeles.

V. FISCAL IMPACT

NONE

VI. EXHIBITS

1. Statement of Position and Statement of Activities for 2015, 2016, 2017 as extracted from each respective CAFR. (pg. 4)
2. Independent Auditors' Report on Internal Control Over Financial Reporting FYE 6-30-2018. (pgs. 5 - 9)
3. Comprehensive Annual Financial Report for the Year Ended June 30, 2016. (pg.

10)

4. Comprehensive Annual Financial Report for the Year Ended June 30, 2017. (pg. 11)

Prepared by: Trini Catbagan, Controller