



To: Wally Ritchie and Lorenzo Tyner
CC: Ruth Zintzun and Shallee Milligan
From: Eide Bailly
Date: 12/4/2023
Re: Closeout Memo – Capital Facilities Capacity Charges Internal Audit

This memo provides the closeout summary for the Capital Facilities Capacity Charges (CFCC) engagement commenced by Eide Bailly LLP for the Orange County Sanitation District (OC San). The engagement focused on assessing controls to ensure completeness, accuracy, and timeliness of CFCC revenue received by the district for fiscal years 2019 through 2023. The 13 agencies selected were Anaheim, Brea, Buena Park, Fountain Valley, Fullerton, Huntington Beach, La Palma, Los Alamitos, Newport Beach, Santa Ana, Seal Beach, Stanton, and Villa Park.

Throughout the engagement, our team diligently commenced various aspects related to CFCCs. However, despite our best efforts, we encountered challenges in obtaining comprehensive information essential for a thorough evaluation and project completion. A significant portion of the required documentation was either incomplete or unavailable, hindering our ability to assess the data. Discrepancies and inconsistencies in the provided data further complicated our analysis, preventing us from forming definitive conclusions. Due to these challenges, we determined along with district management to close out the engagement.

The following are the observations and recommendations provided.

Observations

1. **Information Availability:** Several agencies faced challenges providing timely information due to staff turnover, limited resources, access issues to multi-year data, and system changes affecting data formatting.
2. **Remittance Timeliness:** Exceptions were noted in the timeliness of remittances to the district for five agencies: Anaheim, Brea, Buena Park, Fountain Valley, and Fullerton.
3. **CFCCs Paid After Permit Issuance:** Exceptions were identified in limited testing, specifically with Los Alamitos and Villa Park, where CFCCs were paid after permit issuance, violating Ordinance No. OCSD-59.
4. **Service Fee Concerns:** Verbal feedback indicated dissatisfaction with the 5% service fee retained by the agencies.
5. **CFCC Revenue:** No exceptions with the district's revenue data compared to CFCC transaction reports obtained from agencies.

Recommendations:

1. Address challenges faced by agencies in providing timely information. We recommend implementing enhanced documentation procedures to ensure that all relevant information is systematically recorded and readily accessible for future audits.
2. Communicate with agencies the importance of adherence to Ordinance No. OCSD-59 and CFCC payment timelines.
3. Consider a review of the 5% service fee to align with stakeholder expectations.

We appreciate the cooperation extended by OC San and the agencies involved during this process. If you require further clarification or assistance, please do not hesitate to contact us.

Thank you for your attention to these matters.