



Moss, Levy & Hartzheim LLP

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
San Simeon Community Services District
San Simeon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of San Simeon Community Services District, which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2023.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the District, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, Finding 2023-001, described in the accompanying schedule of findings and questioned costs, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Simeon Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

San Simeon Community Services District's Response to Findings

San Simeon Community Services District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. San Simeon Community Services District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Kelly & Halgrain LLP

Santa Maria, California

August 21, 2024

**SAN SIMEON COMMUNITY SERVICES DISTRICT
FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

**FINDING 2023-001
Disbursements**

Criteria:

Proper internal controls for disbursements include the retention of the invoices for goods or services purchased. All disbursements must have supporting documentation to justify that the purchase was a proper expenditure of the District and to show that the proper approval was obtained for payment.

Condition:

While all checks were properly signed and disbursement lists were presented to the Board, during our testing of disbursements and other testing procedures twelve instances occurred where the invoices could no longer be found to substantiate a payment.

Effect:

Without any backup, disbursements are at an increased risk for misappropriation of assets.

Cause:

There was a lot of turnover of the contracted District personnel and the new personnel could not locate the requested documentation.

Repeat Finding:

No.

Recommendation:

District should retain all documentation for any disbursement of District funds in order to prove that the expenditure was proper for the District and to show that the expenditure was properly authorized.

District's Corrective Action Plan:

The San Simeon Community Services District requires the District General Manager, to review and approve, all district expenditures prior to checks being written. The District requires any check written to provide either an invoice or receipt for the check with the proper amount clearly identified. The District requires that any use of petty cash has a check and receipt approval by the General Manager. The District requires all check disbursements to be presented to the Board in complete order for Board approval monthly.