



SAN MIGUEL COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
January 23, 2017 SPECIAL MEETING MINUTES

MEETING HELD AT DISTRICT OFFICES
1150 MISSION STREET
SAN MIGUEL, CA 93451

- I. Meeting Called to Order by Vice-President Reuck —2:00 pm
- II. **Pledge of Allegiance:** lead by Director Buckman
- III. **Roll Call:** Directors Present: Buckman, Parent and Reuck.
Directors Absent: Green, Kalvans
District Staff in attendance: General Manager Gentry

Director Kalvans arrived late at 2:06 pm and assumed President position for meeting purposes.

- IV. **Adoption of Special Meeting Agenda:**
Motion by Director Buckman to adopt Special Meeting Agenda as presented. Seconded by Director Buckman. Motion was approved by voice vote of 4 AYES, 0 NOES and 1 Absent.

- V. **Public Comment and Communications:** (for items not on the agenda)

There were no other public requests to speak.

President Kalvans asked the General Manager to introduce the Action Item.

- VI. **Board Action Item:**

- 1. **Review and Discuss of Finance & Budget Committee recommendation to award a sole source bid contract for FY Auditing Services to Moss, Levy & Hartzheim, LLP**

General Manager stated this request was to consider a Finance & Budget Committee recommendation to award a sole source bid contract for replacement financial audit services. The recommendation is to award these services to Moss, Levy & Hartzheim (MLH) based on their experience and qualifications to perform these services. The award would be for a new year term beginning with FY 2015-16 thru FY 2017-2018.

GM indicated that MLH understands the reasons for this action and request is due to the sudden termination of former auditor. MLH also understood the need for rapid completion of the 2015-16 Financial Audit Report and has committed to a work schedule that can complete their work in

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March or April. GM gave the staff recommendation to award as recommended by the Finance & Budget Committee.

GM stated that Adam Guise from MLH was here to answer any questions of the Board and introduced Mr. Guise to address the Board.

Adam Guise, MLH representative, introduced himself and gave a brief overview of the firm's work experience, knowledge of the District, its experience preparing these desired services for other special districts, cities and public agencies. He spoke about the wide and diverse experience of the firm's staff. He also states the firm understands the urgency in completing this audit and indicated that the firm has committed resources and people to perform the work. Mr. Guise also stated that the future year audits will be more timely, especially given recent changes in state law requirements.

Board members asked him to explain the firm's knowledge and experience with audit work done for special districts. Mr. Guise described the firm's work experience with CSD's near to San Miguel, including Cambria, Heritage Ranch, South San Luis Obispo Sanitation and others.

Director Buckman asked Mr. Guise about his firm's working experience with and/or knowledge of Black Mountain accounting system and whether or he knew of anyone who could assist the District. Mr. Guise stated that he was not certain that he knew any person and is also uncertain about any other agencies or cities using the system.

President Kalvans asked Mr. Guise about the Board receiving a management letter with the firm's opinion and notes about District financial operations. Mr. Guise replied that such a letter is a standard practice in the business. Firm will be reviewing a management letter with General Manager and the Board once the audit is in draft or near draft form.

The final version of the management letter will be presented to the Board with the final audit report and the auditor's opinion statement regarding the District's financial condition(s).

Director Reuck stated that District needs to get this done.

Director Green asked if there was any recourse against former auditors if there was anything significant found in MLH's review. Mr. Guise stated, unfortunately, he could not advise but had serious doubts except for a formal complaint to the state board.

He also asked if MLH had any concerns about the staff being responsive to their requests for documents. Mr. Guise replied that he did not, at this time, have any expressed concerns. Staff had, thus far, given responsive answers as needed and timely deliveries.

Director Green made a Motion to approve the award of bid contract for a 3-year term to Moss Levy & Harzheim for performing annual financial auditing services and appropriate additional funds as presented in written report, Seconded by Director Reuck. Motion was approved by a roll call vote of 5 AYES, 0 NOES

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VII. BOARD COMMENT:

President Kalvans asked if there were any Board comments.

There were no Board comments.

VIII. ADJOURNMENT

President Kalvans adjourned the meeting at 2:58 pm.

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