

Report 2018-133 All Recommendation Responses

Report 2018-133: Fallen Leaf Lake Community Services District: Its Billing Practices and Small Electorate Jeopardize Its Ability to Provide Services (Release Date: July 2019)

Recommendation for Legislative Action

To ensure that the district has an electorate of sufficient size from which it can elect members to its board, the Legislature should enact legislation to allow landowners and holders of Forest Service permits within the district, along with otherwise domiciled registered voters in the district, to vote on district matters and serve on the board.

Description of Legislative Action

The Legislature has not taken action to address this specific recommendation.

- **Legislative Action Current As-of:** October 2019

California State Auditor's Assessment of 60-Day Status: No Action Taken

Recommendation for Legislative Action

To help voters in special districts elect full-size boards of directors and to help special district boards avoid quorum issues and service disruptions, the Legislature should amend state law to require a LAFCO to assess whether an electorate is of sufficient size when it considers creating or modifying a special district.

Description of Legislative Action

The Legislature has not taken action to address this specific recommendation.

- **Legislative Action Current As-of:** October 2019

California State Auditor's Assessment of 60-Day Status: No Action Taken

Recommendation #3 To: Emergency Services, Office of

To better ensure that it reimburses local fire agencies appropriate amounts for responding to incidents, including the provision of strike teams for fighting wildfires, Cal OES should complete implementation of its plan to audit a sample of salary forms and invoices that local fire agencies submit under the fire agreement. It should, by September 15, 2019, complete its negotiations to have the State Controller's Office perform these audits.

60-Day Agency Response

Cal OES is working on finalizing a contract with SCO in regard to conducting audits of submitted salary surveys and invoices. Cal OES completed and submitted the State of California, Department of General Services' Standard Agreement Form (STD 213) to SCO for review and Executive approval. STD 213 is comprised of the Statement of Work and agreed upon procedures. Cal OES hopes to have an inter-agency agreement with SCO by October 2019.

- **Estimated Completion Date:** October 1, 2019
- **Response Date:** September 2019

California State Auditor's Assessment of 60-Day Status: Pending

Recommendation #4 To: Emergency Services, Office of

To further ensure that local fire agencies receive proper reimbursement for responding to incidents, Cal OES should recommend to the Agreement Committee that it include the following steps in the new fire agreement, anticipated to be effective starting in 2020:

- 1) Require local fire agencies to submit documents showing approval by their governing bodies of the average actual salary rates included on the salary form that the local fire agencies submit to Cal OES.
- 2) Require local fire agencies to submit documentation to support their average actual salary rates.
- 3) Revise the salary form and reimbursement invoice form so that authorized representatives of local fire agencies sign them under penalty of perjury.

60-Day Agency Response

Cal OES is currently working with our local government committee members to determine the list of priorities for the new CFAA agreement. Once consensus is made, a meeting with executives from USFS, Cal Fire, and Cal OES will be held. This will determine the next steps in the renegotiation process. When renegotiation meetings begin, Cal OES staff will inform the committee of the three CSA recommendations.

- **Estimated Completion Date:** December 31, 2019
- **Response Date:** September 2019

California State Auditor's Assessment of 60-Day Status: Pending

Recommendation #5 To: Emergency Services, Office of

To ensure that local fire agencies receive proper reimbursement for responding to incidents for the remainder of the current fire agreement, Cal OES should recommend that as part of the negotiations process, the Agreement Committee implement the following for the remainder of the current agreement:

- 1) Require local fire agencies to submit documents showing approval by their governing bodies of the average actual salary rates included on the salary form that the local fire agencies submit to Cal OES.
- 2) Require local fire agencies to submit documentation to support their average actual salary rates.
- 3) Revise the salary form and reimbursement invoice form so that authorized representatives of local fire agencies sign them under penalty of perjury.

60-Day Agency Response

Cal OES is currently working with our local government committee members to determine the list of priorities for the new CFAA agreement. Once consensus is made, a meeting with executives from USFS, Cal Fire, and Cal OES will be held. This will determine the next steps in the renegotiation process. When renegotiation meetings begin, Cal OES staff will inform the committee of the three CSA recommendations.

- **Estimated Completion Date:** December 31, 2019
- **Response Date:** September 2019

California State Auditor's Assessment of 60-Day Status: Pending

Recommendation #6 To: Fallen Leaf Lake Community Services District

To ensure that the district complies with the reimbursement terms of the fire agreement and does not claim excessive reimbursement amounts, the district's board, by September 15, 2019, should create and implement a policy governing the reimbursement rate the fire chief claims for paid and recruit firefighters who participate on strike team assignments under the fire agreement. Additionally, the district's board should review and approve the annual salary form before the fire chief submits it to Cal OES.

60-Day Agency Response

District Response to 6: On August 31, 2019, the District's Board of Trustees adopted and began implementation of two Resolutions governing the reimbursement rates for firefighters who participate on strike team assignments under the fire agreement. The Resolutions are 2019-5 and 2019-6. The first Resolution provides the terms and conditions for Fire Department response away from official duty station and assigned to an emergency incident. The second Resolution governs overtime pay for those firefighters assigned to an emergency incident. The District's Board will be reviewing and approving the annual salary form before the Fire Chief submits it to Cal-OES in 2020. Copies of the two Resolutions are being provided to the State Auditor's Office

- **Completion Date:** September 2019
- **Response Date:** September 2019

California State Auditor's Assessment of 60-Day Status: Resolved

The board's two resolutions collectively implement the first part of our recommendation ("create and implement a policy"). We also conclude that the board resolved the second part of our recommendation ("review and approve the annual salary form"). Resolution 2019-5 states that the district will compensate its personnel according to the current board-approved rate sheet or other directive regarding personnel compensation. The resolution also states that, in the event no compensation rate exists for a personnel classification, the district will use the base rate, administrative directive, or similar document to compensate such personnel.

Recommendation #7 To: Fallen Leaf Lake Community Services District

To rectify the excessive reimbursement amounts it received for strike team assignments, the district should, by December 31, 2019, develop and implement a plan for returning to the paying agencies the excessive reimbursements it received for 2016 through 2018.

6-Month Agency Response

DISTRICT'S RESPONSE TO NUMBER 7: The District has developed and begun implementation of a plan to determine the amount, if any, of excessive reimbursements received for the years 2016 through 2018. To that end, the District's plan consists of two parts: 1) conducting an internal audit for fire seasons 2016-2018; and 2) engaging in regular communications with the Governor's Office of Emergency Services (Cal-OES) and any other agencies which contact the District. This plan has been put into motion. The District has been conducting its own internal audit, which is expected to be completed in the Second Quarter of 2020. District officials conducted a teleconference with representatives of Cal-OES on August 15, 2019, to discuss the process of review of any excessive payments to the District during the period in question. The District's Fire Chief has been in communication with Cal-OES representative Auburn Diede since that teleconference regarding the status.

- **Estimated Completion Date:** unknown
- **Response Date:** December 2019

California State Auditor's Assessment of 6-Month Status: Pending

Recommendation #8 To: Fallen Leaf Lake Community Services District

To rectify the excessive reimbursement amounts it received for strike team assignments, the district should, by December 31, 2019, work with Cal OES to identify the amounts of excess reimbursements the district received for 2013 through 2015 and then develop and implement a plan for returning those amounts to the paying agency.

6-Month Agency Response

DISTRICT'S RESPONSE TO NUMBER 8: As indicated in the District's response to this Recommendation (contained within the Audit Report), the District "will work with OES to determine overpayment, if any, for the calendar years 2013-2015 and, if so, will develop and implement a plan for returning any excess monies received." On August 15, 2019, District officials conducted a teleconference with representatives of Cal-OES to discuss the process to review of any excessive payments to the District during the period in question. The District has also been in regular communication with Cal-OES concerning the subject matter. The District's expectation is that Cal-OES will make the determination as to whether any excessive monies are owed for the period in question, using the full cooperation of the District and its resources. That determination has not yet been made by Cal-OES.

- **Estimated Completion Date:** unknown
- **Response Date:** December 2019

California State Auditor's Assessment of 6-Month Status: Pending

Recommendation #9 To: Fallen Leaf Lake Community Services District

To ensure that it complies with all applicable labor and wage laws, the district should, by September 15, 2019, seek advice from appropriate experts, such as legal counsel and tax advisors, regarding the proper characterization and compensation of its recruit firefighters. It should develop and implement a policy in this area that meets all applicable requirements.

60-Day Agency Response

District Response to 9: The Board has consulted with legal counsel and its tax advisors concerning all applicable labor and wage laws with respect to the proper characterization and compensation of recruit firefighters. As a result, on August 31, 2019, the Board adopted Resolution 2019-7, entitled "Resolution for the Implementation of Firefighter Internship Program and Use of Firefighter Trainees (Nonpaid)." This Resolution formalizes the Firefighter Internship Program run by the District. The Resolution's contents meet all applicable federal and state legal requirements, and establish the permitted use of Intern trainees both at the official duty station and on emergency incidents away from the official duty station. In addition to passing Resolution 2019-7, the Board also approved a formal job description for Firefighter Trainee, which was vetted by legal counsel. Copies of the Resolution and job description documents are being provided to the State Auditor's Office.

- **Completion Date:** September 2019
- **Response Date:** September 2019

California State Auditor's Assessment of 60-Day Status: Fully Implemented

Recommendation #10 To: Fallen Leaf Lake Community Services District

To improve its financial viability and safeguard its ability to continue providing services to the Fallen Leaf Lake community, the district should, by December 31, 2019, monitor the financial risks it may face in the future, forecast their impact on its finances and budget, and plan and implement appropriate changes to its budget as necessary throughout the fiscal year.

6-Month Agency Response

DISTRICT'S RESPONSE TO NUMBER 10: As indicated in the District's response to this Recommendation (contained within the Audit Report), the District "will strengthen its financial viability by incorporating the recommendation as appropriate." To that end, on August 31, 2019, the District adopted and began implementation of resolutions which of two Resolutions governing the reimbursement rates for firefighters who participate on

strike team assignments under the fire agreement. The passage of these Resolutions is expected to eliminate all financial risk to the District going forward with respect to strike teams. In addition, on August 31, 2019, the District's Board reviewed and approved Resolution 2019-8 to increase in the Fire Special Tax for the fiscal year 2019-2020 to be levied upon eligible properties in the District in an amount 1.5% above that same Tax assessed in the 2018-2019 fiscal year. The Resolution is attached. Furthermore, most of the District's budget concerns events from May through November of each year, because the District's offices are closed in the winter time due to snow accumulation. The Board anticipates further discussion on this topic when it reconvenes in the Second Quarter of 2020.

- **Completion Date:** August 2019
- **Response Date:** December 2019

California State Auditor's Assessment of 6-Month Status: Pending

Based on its response above and the "not fully implemented" statuses for recommendations #7, 8, 12, and 13 of our report, we do not yet agree that the district has fully implemented this recommendation. We will assess the district's implementation of this recommendation in early 2020 in conjunction with its implementation of these four recommendations.

- Auditee did not substantiate its claim of full implementation

Recommendation #11 To: Fallen Leaf Lake Community Services District

To improve its financial viability and safeguard its ability to continue providing services to the Fallen Leaf Lake community, the district should, by December 31, 2019, limit the extent to which it relies on volatile revenue sources to balance its budget.

6-Month Agency Response

DISTRICT'S RESPONSE TO NUMBER 11: As indicated in the District's response to the recommendation (contained within the Audit Report), the

District intends to "strengthen its finances by taking the necessary steps to review and assess, on an annual basis, any revenue sources that it and its auditors may reasonably conclude are 'volatile.'" On August 31, 2019, the District adopted and began implementation of resolutions which of two Resolutions governing the reimbursement rates for firefighters who participate on strike team assignments under the fire agreement. The passage of these Resolutions is expected eliminate all financial risk to the District going forward with respect to strike teams. In addition, on August 31, 2019, the District's Board reviewed and approved Resolution 2019-8 to increase in the Fire Special Tax for the fiscal year 2019-2020 to be levied upon eligible properties in the District in an amount 1.5% above that same Tax assessed in the 2018-2019 fiscal year. The Resolution is attached.

- **Completion Date:** August 2019
- **Response Date:** December 2019

California State Auditor's Assessment of 6-Month Status: Pending

Based on its response above and the "not fully implemented" statuses for recommendations #7, 8, 12, and 13 of our report, we do not yet agree that the district has fully implemented this recommendation. We will assess the district's implementation of this recommendation in early 2020 in conjunction with its implementation of these four recommendations.

- Auditee did not substantiate its claim of full implementation
-

Recommendation #12 To: Fallen Leaf Lake Community Services District

To improve its financial viability and safeguard its ability to continue providing services to the Fallen Leaf Lake community, the district should, by December 31, 2019, develop and implement a budget plan that realistically estimates changes in revenues and expenditures, and identifies approaches to address such changes.

6-Month Agency Response

DISTRICT'S RESPONSE TO NUMBER 12: As explained in the District's response to the recommendation (both contained within the Audit Report), the District "will strengthen its budget plan by annually reviewing and assessing any potential changes in revenues and expenditures." The District's budget for the next fiscal year (2020-2021) will not go into effect until July 1, 2020. In the meantime, the District is developing this budget, which will be reviewed by the Board in the Second Quarter of 2020, to be passed prior to July 1, 2020.

- **Estimated Completion Date:** July 2020
- **Response Date:** December 2019

California State Auditor's Assessment of 6-Month Status: Pending

Recommendation #13 To: Fallen Leaf Lake Community Services District

To improve its financial viability and safeguard its ability to continue providing services to the Fallen Leaf Lake community, the district should, by December 31, 2019, develop a five-year forecast of estimated revenues and expenditures and a plan to guide its decisions and actions in the event of fluctuations.

6-Month Agency Response

DISTRICT'S RESPONSE TO NUMBER 13: The District's Board has retained and authorized a third-party company to conduct a research study

starting in May 2020 to review District's operations and reserves so that the District may forecast economics for the next five fiscal years. In addition, the District met on December

7, 2019 and discussed the potential for climate-related increases in spending, as well as potential new sources of revenues.

- **Estimated Completion Date:** July 2020
- **Response Date:** December 2019

California State Auditor's Assessment of 6-Month Status: Pending