

**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***

**Independent Auditor's Report**

Board of Directors  
Salton Sea Authority  
Indio, 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 financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Salton Sea Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 13, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

In addition, as a service to you we identified other matters during our audit that provide you an opportunity to enhance your existing internal controls. The matter below is provided as recommendations for your consideration and is not considered to be a material weakness or significant deficiency in internal control.

#### 1. Documentation of Accrued Vacation Policy

During our review of compensated absences, we noted a significant accrual of paid time off for the Executive Director, however the Authority's policy does not specifically address the Executive Director's paid time off and if there is a maximum limit to the accrued vacation hours. Based on our understanding, the Executive Director is an employee of the County and his salary is reimbursed from the Authority and there is no formal agreement between the Authority and the County. A lack of a formal policy can result in benefits being provided/paid that are not authorized or approved.

#### Recommendation

We recommend the Authority incorporate the Executive Director's accrued vacation hours into the policy of the Authority and work with the County to obtain a reimbursement agreement related to the Executive Director's salary and benefits.

#### Management's Response

The Authority is working with the County to secure a formal agreement which includes paid time off accruals, maximum limits, and payout terms. The agreement will also include the requirement to reimburse the County for salaries and benefits of certain employees.

#### 2. Contract Documents

During our review of cash disbursements, we noted the Authority has expired contracts with Ollin Strategies and Cultivating Conservation. Allowing contracts to expire without timely renewal can expose the Authority to various risks, including legal exposure, financial loss, disruption in service, etc.

#### Recommendation

We recommend the Authority review all contracts to ensure they are current and approved in accordance with the purchasing policy of the Authority. Additionally, controls should be implemented to ensure contracts do not expire in the future and timely renewals are approved.

#### Management's Response

The Authority is implementing an annual review of all contracts to ensure they are current and approved in accordance with the purchasing policy.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Salton Sea Authority's financial statements are free from 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 financial statements. 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*.

## **The Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our engagement and described above. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*DavisFarrLLP*

Irvine, California

December 13, 2023