

The California State Auditor released the following report today:

Ross Valley Sanitary District

The Board and Management Have Only Recently Begun to Address Significant Weaknesses in the District's Financial and Administrative Functions

BACKGROUND

Serving approximately 55,000 people in Marin County, the Ross Valley Sanitary District (district) provides wastewater collection services for residents and businesses in several communities. The district—governed by a five-member board of directors (board)—is funded primarily by wastewater collection fees from ratepayers and property taxes, although it has the authority to and has issued bonds—it issued \$48 million in 2013 and 2014 to refinance existing debt and finance improvements to its wastewater system. The district maintains approximately 200 miles of sewer pipelines and must adhere to regulations set by the State Water Resources Control Board.

KEY FINDINGS

During our review of the district's financial and administrative operations, we noted the following:

- The district has yet to address some serious deficiencies in its system of checks and balances (controls) over financial and administrative practices that an external auditor raised over the past two years during audits of the district's financial statements—15 of 32 key controls over its financial, procurement, payroll, and human resource functions are inadequate.
- The board has inadequately overseen the district's financial and administrative functions over the past five years likely due to insufficient training provided to board members and poorly documented roles and responsibilities for board members.
- Because of the board's lax oversight over employee compensation, district employees' salaries are high relative to salaries at comparable sanitation agencies, and total personnel costs have increased from 20 percent of the district's total expenses in fiscal year 2009–10 to 28 percent in fiscal year 2013–14.
 - ✓ The board sanctioned annual cost-of-living adjustments (COLAs) of between 3 percent and 5 percent over the last six years while the consumer price index only increased by between 0.7 percent and 2.8 percent during the same time frame.
 - ✓ Some of its employees receive longevity pay—employees who have worked for the district more than 10 years receive an additional 5 percent over their base salary and those who have worked more than 15 years receive an additional 7.5 percent.
- The district did not always use a competitive process or justify using sole-source contracts for professional services and thus, it cannot be sure that it received the best value.
- The district has poorly managed some of its human resources functions—it did not ensure employees received harassment prevention training as required and that the district complete annual employee performance evaluations.

KEY RECOMMENDATIONS

We made numerous recommendations to the board including the following:

- Ensure that controls over the district's financial and administrative functions are developed and strengthened.
- Reduce the salary ranges for all positions in the district's salary schedules to better align with comparable positions at comparable sanitation agencies and ensure that its compensation decisions related to COLAs, merit raises, and longevity pay are appropriate and justified.

We also made many recommendations to the district including the following:

- Clarify roles and responsibilities for board members and provide training for various important responsibilities.
- Develop a policy establishing criteria to be used to periodically evaluate the general manager's performance.
- Ensure it hires qualified vendors at reasonable prices by using a competitive process when contracting.