

What Should I Know Before Submitting a District of Distinction Accreditation Application?

BACKGROUND

The District of Distinction program is an accreditation program that enables districts to demonstrate to their communities, the media and legislators their commitment to operate in a sound, responsible manner. Districts apply for designation as a “District of Distinction” by submitting financial audits, policies and procedures and proof of training received by all directors and executive staff.

WHAT TO SUBMIT

Be sure to read this document in its entirety before you submit. When you are ready to submit, the following should be sent to SDLF:

- Board of Directors roster.
- List of executive staff, including titles.
- Copy of Current Operating Budget.
- Documentation verifying completion of AB 1234 Ethics compliance training by all board members and executive staff (District decides who is executive staff).
- Documentation verifying completion of governance training by all board members and executive staff.
- Copies of the three most recent audits. Include the Independent Auditor’s Report (opinion letter), Independent Auditor’s Report on Internal Controls (SAS 112), Management Letter (also SAS 112) and Auditor’s Letter to the Board or governing body (SAS 114).
- Copy of policies and procedures manual.
- Copy of minutes showing the policies and procedures have been reviewed and adopted.
- Application fee (based on district budget).

THE PROCESS

Once SDLF receives an application, the procedure is as follows:

- SDLF reviews the packet making sure all documents are included and valid.
- SDLF contacts the SDLF Audit Committee and sends audits to them for review.
- The auditors normally complete the initial review within 1-2 weeks.
- SDLF will then contact the district to either let them know they have been approved, or let them know what needs to be done in order to be approved.

WHAT AUDITORS LOOK FOR

- Independent Auditor’s Report (opinion letter) - the opinion letter must contain an “unqualified” opinion on the three most recent audits.

- Independent Auditor's Report on Internal Controls- there must be no control deficiencies or material weaknesses on the three most recent audits.
- Management Letter – Statement on Auditing Standards 112 has changed the reporting requirements of auditors. Auditors must now evaluate identified internal control deficiencies and determine whether they are Significant Deficiencies or Material Weaknesses. A Significant Deficiency is defined as a deficiency in internal controls such that there is more than a remote likelihood that a material misstatement in the entity's financial statements will not be prevented or detected. A Material Weakness is defined as a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. These items must be reported to District management and the Board of Directors via a written report. Other matters related to internal controls that are not a Significant Deficiency or Material Weakness may be reported in writing by the auditor as well. In evaluating the District's application, the Audit Committee will use the following guidelines in relation to the District's management letter –
 - Material Weakness – District's application will be denied.
 - Significant Deficiency – Audit Committee will not deny District's application unless the significant deficiency was not addressed and removed on the next audit. If the significant deficiency is included within the most recent audit, the District's application will be approved pending management's assertion that the significant deficiency has been resolved.
 - Other Matters – The recommendations must be addressed and removed from the management letter by the next audit.

It is anticipated that sometimes new recommendations will be on the next audit. That is okay, but again those new auditor recommendations must be addressed by the District by the next audit.

- Auditor's Letter to the Board or governing body (SAS 114). SAS 114 requires this communication between the auditor and the governing body. It explains various aspects of the audit and the financial statements including accounting policies, significant or unusual transactions, accounting estimates and management judgments, significant audit adjustments, uncorrected misstatements, disagreements with management, and difficulties encountered in performing the audit. In evaluating the District's application, the Audit Committee will deny applications that contain items that are not corrected, such as uncorrected misstatements or accounting policies that are not applied correctly.

- If there are management recommendations on the 3rd audit submitted, the District will not be approved until District management has provided satisfactory response to SDLF showing that the District complied with the auditor's recommendations.
- Please make note that no refunds of the application fee will be given, but SDLF will work with the District by being clear about what needs to be addressed before approval. (Remember, an audit can be clean, but to be a District of Distinction, a district must be excelling).

AFTER APPROVAL

- SDLF will inform the District of approval.
- SDLF will run an article in CSDA's E-News and forward that article to the respective partnering Association (i.e. a water district will go to ACWA) for them to use in their publications.
- SDLF will send the District the District of Distinction logo for their use on anything they like. Many districts use it on brochures, websites, t-shirts, hats and even trucks.
- SDLF will order District's plaque and find out which conference the District would like to receive the award and who from the District will receive it.
- SDLF will work with the District's State legislators on getting a resolution honoring the District.
- SDLF will prepare an article for the District's local newspapers.
- SDLF attends partnering association's conferences to display our booth and your District's name will be at the booth on every occasion.
- The District will be included on the list of Districts of Distinction on the SDLF website and at conferences where SDLF exhibits.