



**MONTEREY PENINSULA  
WATER MANAGEMENT DISTRICT**

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February 25, 2009

Ray von Dohren, General Manager  
Carmel Area Wastewater District  
P.O. Box 221428  
Carmel, CA 93922


Dear Mr. von Dohren:

This letter is to follow-up on our telephone conversation earlier this week. As we discussed, drafts of the Monterey Peninsula Water Management District's (MPWMD) Fiscal Year 2007-08 Financial Statements and Independent Auditors' Report (Report) were presented to its Administrative Committee on February 17, 2009. At that time it was noted that the MPWMD's Report must include the audited financial statements of the CAWD/PBCSD Reclamation Project (Project) because of the District's involvement with the Project; and that issuance of MPWMD's Report has been delayed until February the last two years because the Reclamation Project's Report has been completed later than usual. District staff reported that this is also a problem because the Project's Report is supposed to be filed with the Trustee bank for the Project no later than December 30 of each year, and that the bank has noticed the District that "extraordinary fees" may be assessed if the deadline is not met in the future.

After discussion, the Administrative Committee directed that I contact you by telephone, and follow up by letter, to see what could be done to have the Project's Report completed by October in future years, which would allow the MPWMD's Report to be completed in November and presented to our Board no later than December. In our telephone conversation you indicated that you thought that the Project's audit would be back on this type of schedule starting next year, but that you would need to check with your Accountant/Controller to make sure. Please confirm your findings to me in writing so that I may report back to the Administrative Committee.

Please contact me if you have any questions.

Sincerely,

  
Darby Fuerst  
General Manager

cc: Alvin Edwards, MPWMD Director  
Judi Lehman, MPWMD Director  
David Pendergrass, MPWMD Director



# Carmel Area Wastewater District

Over 100 years of service

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March 5, 2009

Ray von Dohren  
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Robert Siegfried

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Ken White

Mr. Darby Fuerst

General Manager

Monterey Peninsula Water Management District

5 Harris Court, Bldg. G

P.O. Box 85

Monterey, CA 93942-0085

MAR 16 2009

MAIL ROOM

Re: Annual Audit

Dear Mr. Fuerst:

Ray von Dohren, CAWD General Manager forwarded your letter dated February 25, 2009 regarding the CAWD/PBCSD Reclamation Project (Project) audit timing and asked me to respond. I understand the necessity to complete the audit in a timely fashion; however, we are somewhat at the mercy of the audit firm. We originally sent out 16 requests for audit services and received a response indicating an interest from only 4 firms. Because of performance issues, we decided to terminate the agreement with the first firm selected, and went back to our original list of 16 firms for a second request. Only one firm, Marcello & Company, showed any interest in taking on the work and because of their previous commitments scheduled both the Project and Carmel Area Wastewater District (CAWD) quite literally as one of their last public agency annual audits. In conversations with several of the firms on our list we're told that the interest in performing small public agency audits is declining. The cost and training required makes it difficult to recoup costs. With that in mind we agreed to a three year contract.

I am aware of the suggestion that Hayashi & Wayland would be willing to take on the Project audit. CAWD is not amendable to that suggestion for two reasons. First, we have contracted with Hayashi & Wayland for both investment and pension services and would prefer to not have one firm handle the audit in addition of those services. We believe some degree of diversification is a good thing. Second, we have found that unless the CAWD audit engagement is linked to the Project engagement interest from potential audit firm's declines precipitously.

Should an opening occur in the audit schedule of Marcello & Company they will move the engagement forward on the calendar. If not, the field work is scheduled for November 10<sup>th</sup> of each year of the contract. We have spoken to them about the need

to complete the work as quickly as possible and believe they understand and attempted to accommodate us this first year of the engagement. We have also made it clear that the Project audit takes precedent over the CAWD audit as far as timing. Remember however; that there is some additional delay in finalizing the audit because of the multiple review requirements needed when three public entities and one private entity are involved. Nevertheless, I would expect future engagements to move more quickly as the first year of any engagement always involves the initial set-up and learning curve. We would also be happy to discuss the issue with the Trustee bank to help mitigate any potential fee assessment.

Please contact me if you have any questions.

Sincerely,



Barbara Buikema  
Finance Officer

cc: Marcello & Company