



May 14, 2026

DISCUSSION ITEM STAFF REPORT

ITEM 8.E. Consider Additional Financial Controls Related to District Checks

Recommendations:

1. Discuss Additional Financial Controls for Potential Future Action;
2. If policy changes are required, give direction to staff for revisions

Background:

The San Simeon Community Services District (“District”) is governed by a Board of Directors (“Board”) committed to effectively representing the interests of the District’s beneficiaries. The Board has historically retained professional staff to assist in oversight and management of day-to-day operations, including financial collections, payments, and reporting.

Recent public comments have highlighted the need to document and discuss District operational and financial practices.

Existing District policies approved by the board include the following provisions:

- The Board-adopted policies serve as a resource for Directors, staff and the public in determining the manner in which District business is conducted;
- District policies specify that the Board provides oversight of District finances through reporting of warrants approved for payment, adoption of the annual budget, financial reports, and approval of contracts exceeding \$10,000;
- Per District policy, District expenditures shall be authorized in the District’s annual budget and in conformance with the Procurement Policy;
- Duties of the General Manager include the implementation of the policies established by the Board of Directors for the operation of the District; the supervision of the District’s facilities and services; and the supervision of the District’s finances.
- Operational authority over financial functions, including daily cash management, investment transactions, and account reconciliations are the primary responsibilities of the General Manager. The General Manager has authority to transfer funds between any of the accounts that have been established by the

District in order to accomplish the purpose and objective of this policy. The General Manager shall report any transfer of funds at the next regular Board meeting during the General Manager or Financial report.

Questions have been raised recently regarding a sentence in resolutions passed to identify authorized signers for District accounts. The language in the resolution indicates two signatures are the standard for District financial transactions. This language has been included in resolutions as far back as staff has been able to trace. However, the provision is not documented in District policy and does not appear to have been enforced historically. Given the lack of consistency with District policy and practice, it is prudent for the Board to consider the issue.

Discussion:

District policy does not specify a number of signatures required for checks. The question before the board is whether to modify policy to specify a requirement. There are operational challenges to consider in this discussion.

In the absence of a District General Manager, County of San Luis Obispo have been fulfilling the general manager operational duties for water and wastewater through the CalWARN mutual aid agreement. County staff have followed District policy and used existing District processes and procedures during the response. The primary purposes of response efforts are to maintain existing sewer and water services to customers, improve financial stability, and assist the District through the LAFCO dissolution process.

District resources, including staff time, are very limited. Efforts have been made to prioritize high-value activities that relate to operational compliance, financial stability, or activities that will support the dissolution process. Updating District procedures is not a focus.

Resource limitations affect the update and processing of financial records and transactions. Financial statements and reports are prepared and presented for Board review as quickly as possible with respect to availability of bank statements, limited staff time, and competing operational priorities.

There are also limitations in availability of authorized check signatories. When checks are required within a short timeframe, it can be difficult for staff to identify a single authorized signer who is available to come in while staff is present and/or before the mail must go out. Since staff only works half-time and four days a week, delays sometimes mean payments go out later than planned. Increasing the requirement to two signers will increase that operational burden.

As a policy matter, the Board has discretion to set a new standard. This would be accomplished by requesting staff bring a revised policy before the board for consideration.

