

Sacramento Suburban Water District

Engagement of Auditor Policy

Adopted: March 21, 2005

Approve with Changes: August 19, 2019

100.00 Purpose of the Policy

The purpose of this policy is to ensure objective auditing of the District's financial statements by an external independent auditor. Independence requires that the District's auditor maintain the highest level of independence at all times as defined by the U.S. General Accountability Office's "Government Auditing Standards."

As an audit is dependent on the individual auditor's assessment of risk in the District's control procedures and financial statement disclosures and is designed to provide reasonable, but not absolute, disclosure of such risk, changing auditors periodically may provide the District with a different risk assessment and, perhaps, a different approach to testing risk in the District's control procedures and financial statement disclosures as defined in the Statements on Auditing Standards (SAS) "risk assessment" standard No. 122.

The Finance and Audit Committee is responsible for recommending the District's auditor to the full Board of Directors (Board) for appointment and compensation, and administering the relationship between the District and auditor during the course of the audit, as set forth in the Finance and Audit Committee Mission Statement and Charter and per the requirements of SAS 115, "Communicating Internal Control Related Matters Identified in an Audit."

200.00 Maintaining Auditor Independence

The Board recognizes the importance of ensuring the independence of the District's auditor and ensuring effective communication between the auditor and the Board and Finance and Audit Committee. The Finance and Audit Committee shall evaluate the auditor's independence annually in connection with its determination to engage the auditor for the ensuing year.

To ensure the auditor's independence from the District, the Finance and Audit Committee shall, at least annually, obtain and review a formal written statement from the auditor delineating all relationships between the auditor and the District and discuss with the auditor the auditor's methods and procedures used for ensuring independence.

300.00 Auditor Services

The Finance and Audit Committee shall recommend the auditor provide only Audit and Audit-Related Services for the District. The Finance and Audit Committee shall pre-approve all Audit and Audit-Related Services, in order to assure that the provision of such services do not impair the auditor's independence.

Audit Services means all services and accounting consultation necessary to perform an audit of the District's financial statements, and other attest services required by statute, regulation, contracts, agreements or grants.

Audit-Related Services means assurance and related services that are reasonably related to the performance of the annual audit of the District's financial statements or that are traditionally performed by the auditor, including employee benefit plan audits, due diligence related to mergers, accounting consultations, internal control reviews and attest services not required by statute or regulation.

400.00 Prohibited Services

The following accounting, finance and professional services shall not be performed for the District by the auditor.

1. Bookkeeping or other services related to accounting records.
2. Financial Information Systems design and implementation.
3. Appraisal or valuation services.
4. Actuarial services.
5. Internal audit outsourcing services.
6. Management functions.
7. Human resource functions.
8. Broker-dealer or investment advisory functions.
9. Legal services.
10. Expert services unrelated to the audit.

500.00 Auditor Rotation

In accordance with Government Code section 12410.6 (b) the District shall not employ a public accounting firm to provide audit services if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, have performed audit services for the District for six consecutive years. Accordingly, the Finance and Audit Committee shall seek proposals from potential auditors no greater than every six years. The District's current auditor shall be considered in the proposal process if the past performance of the auditor has proven satisfactory to the District and a new lead audit partner is assigned. Selection of an auditor shall be performed in accordance with the District's Procurement Policy requirements (PL - Fin 005.)

600.00 Policy Review

This policy shall be reviewed at least biennially.