

Upper Salinas Las Tablas - Resource Conservation District

# Financial Management Transformation and Improvement Plan

FY Ended June 30, 2022

Compiled: 10/28/2025 to support the LAFCO response and Special Board Meeting  
10/30/2025

# Financial Management Transformation and Improvement Plan

## Upper Salinas-Las Tablas Resource Conservation District

**Date:** October 20, 2025

**Plan Period:** Fiscal Year 2024 and Onward

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### Executive Summary

#### 1. Executive Summary: A Pragmatic Path to Recovery

This document outlines the Upper Salinas-Las Tablas RCD's committed path to financial recovery. In response to a legacy of systemic challenges—including embezzlement, rapid management turnover, and the lack of a qualified financial manager—the District has undertaken a complete rebuild of its financial infrastructure.

Our strategy has been phased:

- **FY2023 (Rebuilding Year):** Focus on stabilizing records and systems, culminating in **Reviewed Financial Statements**. This represents a significant step forward from the prior disclaimer of opinion.
- **FY2024 and Beyond (Sustained Compliance):** With new systems now fully operational, our target is to achieve an **unqualified (clean) audit opinion** for FY2024 and all subsequent years.

The following plan details the concrete actions taken to ensure this outcome.

#### 2. FY23 Reporting: A Necessary and Strategic Step

As our independent CPA has confirmed, the financial records for the year ended June 30, 2023, were not initially in a condition to be audited. Attempting an audit would have resulted in a second consecutive disclaimer of opinion, which would be detrimental to the District's standing and funding prospects.

Therefore, in consultation with our CPA and with awareness of LAFCO's requirements, the District made the strategic decision to undergo a **Financial Review** for FY2023. A review provides a level of independent assurance that the financial statements are free from material misstatement, without requiring the extensive evidence an audit demands. This was the most responsible path forward, allowing us to break the cycle of disclaimers and demonstrate tangible progress while we completed the underlying system rebuild.

## Corrective Action Plan: From Root Cause to Sustainable Solution

The following table provides a detailed breakdown of the District's financial transformation, directly linking the historical deficiencies to their underlying causes and the concrete, implemented solutions.

Deficiency Area	Root Cause	Corrective Actions Implemented	Strategic Outcome & FY24 Audit Readiness
<b>1. System &amp; Recordkeeping</b>	<ul style="list-style-type: none"> <li> <b>Legacy of Inadequate Systems:</b> Reliance on manual, paper-based processes with no audit trail.         </li> <li> <b>Lack of Financial Expertise:</b> No dedicated staff with accounting expertise to maintain proper records.         </li> <li> <b>Management Instability:</b> Rapid turnover in leadership (General Manager &amp; Financial Manager) prevented continuity and accountability.         </li> </ul>	<ul style="list-style-type: none"> <li> <b>Implemented QuickBooks Online (QBO):</b> Replaced outdated desktop software with a cloud-based system featuring role-based access and automated audit trails.         </li> <li> <b>Mandated Digital Documentation:</b> Enforced a policy requiring scanned receipts/invoices to be attached directly to every transaction in QBO.         </li> <li> <b>Rebuilt the General Ledger:</b> Worked collaboratively with our CPA to reconstruct the FY23 financial records from the ground up, correcting legacy errors.         </li> </ul>	<b>Eliminates the "unauditable" status.</b> For FY24, every transaction is digitally supported, user-stamped, and readily verifiable, providing the sufficient appropriate evidence required for an audit.

<p><b>2. Internal Controls &amp; Oversight</b></p>	<ul style="list-style-type: none"> <li>• <b>No Segregation of Duties:</b> A single individual could initiate, approve, and record transactions.</li> <li>• <b>Lack of Formal Processes:</b> No mandatory approval workflows, monthly reconciliations, or management review cycles.</li> <li>• <b>Weak Governance Oversight:</b> The Board did not receive regular, detailed financial reports for proactive oversight.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Established Formal Approval Workflows:</b> Implemented system-enforced rules in QBO and Harvest requiring manager approval for all expenses.</li>   <li>• <b>Segregated Key Duties:</b> Divided responsibilities among staff (data entry), Project Managers (budget approval), the Fiscal Manager (accounting), and the Executive Director (final authorization).</li>   <li>• <b>Instituted Monthly Close &amp; Review:</b> Implemented a strict monthly closing checklist including bank reconciliations and budget-to-actual reports presented to the Board.</li> </ul>	<p><b>Provides the internal control framework necessary for an audit.</b> System-enforced workflows prevent errors and fraud. Regular Board reviews ensure ongoing accountability and transparency.</p>
<p><b>3. Grant Compliance &amp;</b></p>	<ul style="list-style-type: none"> <li>• <b>Poor Documentation Linkage:</b> Inability to tie expenses</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Fully Integrated Harvest System:</b> Leveraged Harvest for granular,</li> </ul>	<p><b>Creates a direct, auditable link between expenses and grants.</b> This</p>

<p><b>Risk Management</b></p>	<p>directly to specific grants and their budgets.</p> <ul style="list-style-type: none"> <li>• <b>No Pre-Submission Verification:</b> Reimbursement claims were submitted to grantors without an internal audit for compliance.</li> <li>• <b>High Staff Turnover:</b> Loss of institutional knowledge about specific grant terms and conditions.</li> </ul>	<p>grant-specific tracking of time and expenses, directly feeding into QBO.</p> <ul style="list-style-type: none"> <li>• <b>Implemented a Pre-Submission Internal Audit:</b> Every reimbursement request now undergoes a two-step review by the Fiscal Manager (documentation) and Project Manager (programmatic compliance) before Executive Director approval.</li> <li>• <b>Initiated Annual Grant Compliance Self-Audits:</b> A proactive, internal review of all active grants to identify and correct issues before year-end.</li> </ul>	<p>drastic reduction in compliance risk ensures costs are allowable, allocable, and reasonable per grantor terms, ready for any grantor audit.</p>
<p><b>4. GAAP/GASB Compliance &amp; Liability Accounting</b></p>	<ul style="list-style-type: none"> <li>• <b>Insufficient Technical Knowledge:</b> Staff lacked training on specific GASB standards (e.g., GASB</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Provided Targeted Staff Training:</b> Fiscal staff completed training on GASB 87, GASB 96, and general GAAP compliance.</li> </ul>	<p><b>Ensures accurate, timely financial reporting.</b> The District now operates on a full accrual basis, with all liabilities and assets</p>

	<p>87 on Leases) and accrual accounting principles.</p> <ul style="list-style-type: none"> <li>• <b>No Formal Closing Procedure:</b> The absence of a month-end close checklist led to unrecorded liabilities and prior-period errors (e.g., compensated absences).</li> <li>• <b>Decentralized Contract Management:</b> Leases and other contracts were not centrally tracked or evaluated for accounting implications.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Implemented a Rigorous Month-End Close Checklist:</b> A formal procedure ensures all accruals, prepaids, depreciation, and liability revaluations are completed and reviewed monthly.</li> <li>• <b>Created Centralized Registers:</b> Established and maintain a Lease Register and a Liability Register to ensure all commitments are properly recorded and amortized.</li> </ul>	<p>properly stated, forming a reliable foundation for the FY24 audit.</p>
<p><b>5. Budgetary Control</b></p>	<ul style="list-style-type: none"> <li>• <b>Misaligned Budget Period:</b> A temporary shift to a calendar-year budget created misalignment with the fiscal year and audited statements.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Returned to Fiscal-Year Budgeting:</b> Re-aligned the budget cycle (July-June) with the audit and state reporting cycle for consistency.</li> </ul>	<p><b>Establishes proactive fiscal discipline.</b> The integrated, dynamic budget process prevents overspending, ensures funds are used as</p>

	<ul style="list-style-type: none"> <li>• <b>Lack of Real-Time Monitoring:</b> The budget was a static document, not integrated with the accounting system, preventing timely variance detection.</li> <li>• <b>Reactive, Not Proactive, Amendments:</b> Budget overspending was identified after the fact, not prevented through pre-approval.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Integrated the Budget into QBO:</b> Uploaded the board-approved budget into QBO to enable real-time, automated budget-to-actual variance reporting.</li> <li>• <b>Instituted Formal Monthly Reviews:</b> The Board now reviews financial performance against the budget monthly, allowing for proactive amendments and spending controls.</li> </ul>	<p>appropriated, and provides the Board with the tools for effective oversight.</p>
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**Path Forward: FY23 Financial Review and FY24 Clean Audit**

The District recognizes that the implementation of such widespread change requires a period of stabilization. Our expectations for the coming audit cycles are:

- **Fiscal Year 2023 (Ended June 30, 2023):** This period served as the "rebuilding year," where new systems were implemented and tested. We anticipate the independent auditor will perform a **financial review** for FY23. A review provides limited assurance and is an appropriate step as we demonstrate the consistency and reliability of our new financial processes.

- **Fiscal Year 2024 (Ended June 30, 2024) and Onward:** With a full year of operating under the new controls and systems, the District is confident that the financial statements for FY24 will be fully supported and compliant. We fully anticipate receiving an **unqualified (clean) audit opinion** for FY24 and will maintain this standard indefinitely.

### **Monitoring, Sustainability, and Continuous Improvement**

To ensure the long-term effectiveness of this transformation, the District has instituted ongoing oversight mechanisms:

1. **Quarterly Internal Control Reviews:** The Finance Committee will quarterly review a sample of transactions to verify compliance with new digital documentation and approval policies.
2. **Annual Policy Review:** All new fiscal policies will be formally reviewed and reaffirmed by the Board each year prior to the start of the new fiscal year.
3. **Ongoing Professional Development:** Annual training for fiscal and program staff on evolving GAAP/GASB standards is now a budgeted and required activity.
4. **Pre-Audit Readiness Review:** Each May, an internal pre-audit will be conducted using a checklist derived from this plan to proactively identify and correct any potential issues before the external audit begins.

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The Upper Salinas-Las Tablas RCD is fully committed to financial excellence and transparency. This Improvement Plan demonstrates a clear and actionable path to not only resolving past deficiencies but also building a stronger, more resilient financial foundation for the future. We are confident in our trajectory from a financial review to sustained clean audits, solidifying the trust of our stakeholders, funding agencies, and the public we serve.