



MARK PESTRELLA, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
Telephone: (626) 458-5100
<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

September 4, 2019

IN REPLY PLEASE

REFER TO FILE: **FI-2**

The Pun Group, LLP
200 E. Sandpointe Avenue, Suite 600
Santa Ana, CA 92707

MANAGEMENT REPRESENTATION LETTER

This representation letter is provided in connection with your audit of the financial statements of Sativa Los Angeles County Water District, which comprise of the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended and the related notes to financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 4, 2019, the following representations made to you during your audit.

The Sativa Los Angeles County Water District was governed by a five-member elected Board of Directors for the fiscal year ended June 30, 2018. On September 28, 2018, the California State Legislature authorized the State Water Resources Control Board (State Water Board), pursuant to Assembly Bill 1577, to order the Sativa Los Angeles County Water District (Sativa) to accept administrative and managerial services, including full management and control, from an interim administrator selected by the State Water Board. On October 9, 2018, the Los Angeles County Board of Supervisors adopted a Resolution approving the appointment of and delegating authority to the Director of Public Works to act as interim administrator for Sativa. On October 31, 2018, the State Water Board issued an Administrative Order, which dissolved Sativa's Board of Directors and appointed Los Angeles County as the interim administrator of Sativa.

The Pun Group, LLP
September 4, 2019
Page 2

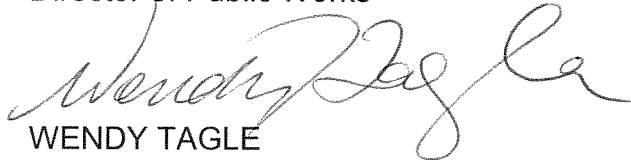
Upon taking over the interim administrator duties, County staff determined that Sativa did not have appropriate and sufficient internal controls over financial matters, and the existing accounting and financial records were deemed incomplete and inaccurate. In preparation for its annual audit, County staff rebuilt Sativa's Fiscal Year 2017-18 financial statements. To complete this task, staff had to collect Sativa's bank and credit card statements, check images, payroll records, and other financial documents to record the transactions in Sativa's accounting system.

County staff performed their due diligence to research, categorize, and record all pertinent financial transactions that they were able to obtain. As was made known to you, due to limited supporting documents (purchase orders, invoices, etc.), and lack of sufficient internal controls in place during the audit period, County staff have not been able to obtain, and provide to you, sufficient appropriate audit evidence to support the fair presentation of the financial statements in conformity with U.S. GAAP. Therefore, County does not assume responsibility that Sativa's financial statements are free from material misstatement, whether due to fraud or error.

If you have any questions, please contact Ms. Vivian Wang, Head Compliance Officer, at (626) 458-6551 or at vcwang@pw.lacounty.gov.

Very truly yours,

MARK PESTRELLA
Director of Public Works



WENDY TAGLE
Chief Financial Officer

VW:dbm

P:\iapub\INTAUDITMANAGEMENT REPRESENTATION LETTERS\Management Rep Letter for Sativa.doc