

## Communication of Deficiencies and Other Matters

To The Board of Directors  
Santa Ynez River Valley Groundwater Basin Central Management Area  
Groundwater Sustainability Agency

In planning and performing our audit of the financial statements of the business-type activities, major fund, and the aggregate remaining fund information of Santa Ynez River Valley Groundwater Basin Central Management Area Groundwater Sustainability Agency (the "Agency") as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Santa Ynez River Valley Groundwater Basin Central Management Area Groundwater Sustainability Agency's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Ynez River Valley Groundwater Basin Central Management Area Groundwater Sustainability Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

*Lack of Formal Accounting Policies and Procedures* – During our audit, we noted that the Agency lacks a comprehensive written accounting policies and procedures manual. Specifically, the Agency does not have a formal purchasing/procurement policy, a written investment policy, a formal net position classification policy, or formal year-end accrual procedures. We recommend the Agency develop and adopt a comprehensive accounting policies and procedures manual to strengthen internal controls over financial close and reporting, expenditures, and cash transactions, and to promote consistency and accountability in the Agency's operations.

*No Formal Fraud Risk Assessment or Whistleblower Policy* – The Agency does not have a formal fraud risk assessment, fraud prevention policy, or whistleblower mechanism. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Principle 8 emphasizes the importance of considering the potential for fraud when assessing risks to organizational objectives. Additionally, Government Code Section 53087.6 encourages local agencies to establish procedures for reporting

fraud, waste, and abuse. We recommend the Agency develop and implement a formal fraud risk assessment process, adopt a fraud prevention policy, and establish a whistleblower mechanism to provide employees and stakeholders with a confidential means to report suspected fraud or misconduct.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, and others within Santa Ynez River Valley Groundwater Basin Central Management Area Groundwater Sustainability Agency and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Hartzheim LLP*

Santa Maria, California  
May 18, 2026

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