



# I n t e r n a l A u d i t D e p a r t m e n t

O R A N G E C O U N T Y

## AUDIT HIGHLIGHT

## MARCH 7, 2011

**Critical  
Impact  
Audit**

**INTERNAL CONTROL AUDIT:  
Ladera Ranch Community Facilities Districts  
Audit No. 2919**

6 Community Facilities  
Districts Totalling  
\$287 Million in Principal

### WHY IS THIS AUDIT CRITICALLY IMPORTANT?

The six (6) Community Facilities Districts (CFDs) for Ladera Ranch received principal bond proceeds totaling \$287 million. The Ladera Ranch CFDs are designed to fund required infrastructure (e.g., roads, storm drains, fire stations, libraries, schools) to support current and future residential and commercial growth within land-based taxing regions called CFDs. Funds for CFDs are generated through the issuance of bonds. The County of Orange issued the six (6) bonds on behalf of the Ladera Ranch CFDs pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982 (Government Code section 53311, et seq.).

This is the first audit of the Ladera Ranch Community Facilities Districts to ensure that: (1) the special tax rates charged to the CFD residents were properly calculated, and (2) bond proceeds were used only for authorized projects. In addition, we evaluated internal controls over processes for the Ladera Ranch CFDs.

### WHAT THE AUDITORS FOUND?

We identified **two (2) Critical Control Weaknesses**, **five (5) Significant Control Weaknesses**, and **six (6) Control Findings** resulting in twenty-one (21) recommendations where internal controls and processes need to be improved in the calculation of the special tax rate and to ensure that bond proceeds are used only for authorized projects. The critical control weaknesses relate to the Auditor-Controller Public Finance Accounting's method for the calculation of the special tax levy and for unexplained project costs for El Toro Branch Library of \$803 thousand charged to the Ladera Ranch CFDs.