

December 6, 2024

To the Honorable Members of the Board
Orange County Broadband Authority (Fiberlync) (Authority)

In connection with our audit of the financial statements of the Orange County Broadband Authority (Fiberlync) (Authority), for the year ended June 30, 2024, we have the following comments and suggestions for your consideration.

Policies and Procedures

Information Technology:

We provided a recommendation to the Authority regarding information technology internal controls and policies.

Uniform Grant Guidance

While initial expenditures of federal funds have relied on policies, procedures, and guidance from the County of Orange, we recommend the Authority consider adopting their own policies to address the Uniform Guidance (2 CFR 200), with thresholds and procedures tailored to their specific circumstances. There are certain policies which the Uniform Guidance specifies should be formally addressed, as described below.

Uniform Guidance Cost Principles

We recommend the Authority maintain printed copies of the Uniform Guidance Cost Principles (2 CFR 200, Subpart E – Cost Principles), formally adopt as policy, and refer to them when expending federal awards.

Conflicts of Interest Policy

According to 2 CFR §200.112, "The Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy." 2 CFR §200.113 further notes, "The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures can result in any of the remedies described in §200.338, *Remedies for Noncompliance*, including suspension or debarment."

Cash Management Policy

Under the Uniform Guidance rules, there are documentation requirements related to cash management as it pertains to receiving federal funds in advance of expenditures occurring. We recommend the Authority adopt a Cash Management policy that addresses when the Authority receives federal funding in advance of payment of related federal expenditures. The Authority will need to document compliance with 2 CFR §200.302, which requires the financial management system of each non-federal entity to provide written procedures to implement the requirements of §200.305, *Payment*.

Procurement Policy

Non-federal entities are required to comply fully with the procurement rules in the Uniform Guidance. The Authority should examine current procurement policies and procedures to ensure compliance with the following sections of 2 CFR §200.318 through §200.327.

New GASB Pronouncements

At June 30, 2024, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 101, *Compensated Absences*

This Statement will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Statement No. 101 will be effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*

This Statement requires all state and local governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints.

Statement No. 102 will be effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*

This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

Statement No. 103 will be effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*

This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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This report is intended solely for the information and use of management, the Board of Directors, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

If you have any questions concerning any of these items, or if we can be of further assistance, please contact us. We thank you for the opportunity to conduct your audit for the year ended June 30, 2024 and express our appreciation to everyone for their cooperation during this engagement.

PBMares, LLP

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