

**FRESNO LOCAL AGENCY
FORMATION COMMISSION**

REPORT TO MANAGEMENT

YEAR ENDED JUNE 30, 2014

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March 14, 2016

Commissioners
Fresno Local Agency Formation Commission
Fresno, California

We have audited the financial statements of the governmental activities of the Fresno Local Agency Formation Commission (LAFCo) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LAFCo are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

LAFCo does not enforce payment by the cities and districts for the services they have provided. However, LAFCo keeps a list of cities and districts that have been billed but have not paid and plans to request payment of their outstanding bill when these entities request services from LAFCo in the future.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Fresno Local Agency Formation Commission
March 14, 2016

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 14, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budget comparison schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Commissioners and management of LAFCo and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Sampson, Sampson & Patterson, LLP

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FRESNO LOCAL AGENCY FORMATION COMMISSION

REPORT TO MANAGEMENT

CURRENT YEAR COMMENTS

(Continued)

1. Cash Receipts

Comment

During our testing of internal controls over cash receipts, we noted the following:

- One group of checks did not indicate that they had been approved before being deposited.
- Two groups of checks were not date stamped when received by the Commission.

Recommendation

The Executive Officer should review all checks that come in and review the deposit being entered into the accounting system to ensure all deposits are accounted for. All support for any payments received should be date stamped to ensure stronger controls over cash receipts.

Executive Officer's Response

Procedures adopted by the Commission on September 11, 2013 (Resolution No. 117) established procedures for intake, approval, and accountability of all checks received. All checks are to be date stamped, reviewed by the Executive Officer, coded for the appropriate revenue account, and deposited in the business day they were received. In the event that they are not received in time to deposit that day, checks are stored in LAFCO's office safe until the next business day.

2. Cash Disbursements

Comment

During our testing of internal controls for cash disbursements the following was noted out of 25 disbursements tested:

- Two checks did not indicate they had been approved for payment.

Recommendation

The Executive Officer should approve all invoices prior to their payment to increase internal controls over cash disbursements.

Executive Officer's Response

Procedures adopted by the commission on September 11, 2013, by Resolution No. 117, increased internal controls. The Executive Officer approves all invoices prior to their payment. All invoices are date stamped, reviewed by the Executive Officer, and coded with the appropriate expense account. The Clerk to the Commission verifies that invoices are appropriately processed prior to conveying them to the consultant bookkeeper who also verifies that invoices are approved as a further internal control.

FRESNO LOCAL AGENCY FORMATION COMMISSION

REPORT TO MANAGEMENT

CURRENT YEAR COMMENTS

(Continued)

3. Accrued Vacation

Comment

Currently the Executive Officer keeps track of his own vacation accrual and has no independent oversight of that calculation.

Recommendation

The bookkeeper should keep a detailed analysis of vacation time earned by the Executive Officer to increase internal control over the calculations and make proper accrual entries to record the liability.

Executive Officer's Response

Procedures adopted by the Commission on September 11, 2013, by Resolution No. 117, addressed management and accountability of the Executive Officer's leave balances. The Commission's payroll consultant (currently Pay Stub Services, Inc.) keeps track and provides control over all staff leave balances, including the Executive Officer's.

4. Credit Card

Comment

During our testing of internal controls over the office credit card, we noted that the Executive Officer is approving his own credit card purchases.

Recommendation

We recommend someone other than the Executive Officer be assigned to approve the Executive Officer's credit card purchases.

Executive Officer's Response

Procedures adopted by the Commission on September 11, 2013, by Resolution No. 117, established procedures, all invoices, including credit card invoices, are paid monthly with checks issued from LAFCO's two-signature account. All invoices are countersigned by the Commission Chair or another commissioner, and photocopies of checks are maintained in LAFCO's office.