



Jeanine J. Mays
— Certified Public Accountant —

COMMUNICATIONS WITH THOSE IN GOVERNANCE

Board of Directors
El Dorado County Fire Safe Council
P.O. Box 1011
Diamond Springs, CA 95619

I have audited the financial statements of El Dorado County Fire Safe Council for the year ended June 30, 2010, and have issued my report thereon dated January 11, 2011. I am providing you with the following information relating to my audit.

MY RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

My responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by me.

As part of my audit, I considered the internal control of El Dorado County Fire Safe Council Systems. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of El Dorado County Fire Safe Council's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the El Dorado County Fire Safe Council are described in Note Two (2) to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009-2010. I noted no transactions entered into by El Dorado County Fire Safe Council during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

ACCOUNTING ESTIMATES

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. The most sensitive estimate(s) affecting the financial statements were:

Management's estimated allocation of overhead expenses between program and administration. I evaluated the key factors and assumptions used to develop the allocations in determining that it is reasonable in relation to the financial statements taken as a whole.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the El Dorado County Fire Safe Council's financial reporting process (that is, cause future financial statements to be materially misstated). No adjustments were proposed.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

I encountered no significant difficulties in dealing with management in performing my audit.

FINDINGS AND RECOMMENDATIONS

In the following section I will discuss certain observations that I believe warrant attention and/or future monitoring by the Board of Directors:

Volunteer Records

In the testing of the volunteer records it was noted that it was difficult to trace the Chipping and Senior Assistance program requests to the compiled volunteer time reports. One was organized by order date and the other by first names so the two reports did not coordinate. If additional columns were added on the excel spread sheet to enter the order date and the last name, the tracing would be direct.

Board of Director's Minutes

The minutes are a recording of the business transactions of the organization. It was noted that evidence of contract approvals and designation of persons authorized to sign for the organization were not detailed in the minutes. Related party transactions should be addressed and documented in the board minutes. It should be noted that interested persons are excused from the discussion if there is a related party issue.

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Long Term Planning

The grant funding for the organization has achieved special goals but all of grant funded projects are written in such a way that there can be no profit for the organization. The Board should consider fundraising or find other ways of making a residual profit to stay viable.

Deposit of Revenues

Deposits were made periodically and usually when a big check arrived. Some small checks were not deposited for over a month. It is recommended that deposits be made a minimum of weekly in consideration for the safety of the checks and the individual that made the donation.

Deposit detail provided to the accountant was grouped for the entire month instead of by deposit. It is best to provide the cash receipts totaled by the deposit so it will be entered that way and tracing to the bank would be direct.

Bank Reconciliations

Copies of the bank reconciliations were not included in the organization's records. These were done monthly but retained at the accountant's office. It is recommended that a copy be requested and maintained with the bank statements.

Cash Disbursed

The operations manager held charges for services instead of billing them in the period they were incurred. By doing this, the board was not fully aware of all of the charges to the organization. The board of directors is the level where decisions about what is to be paid and what is not as the independent contractors are not given that authority.

Timely Grant Billings

A grant from El Dorado County was available for billing quarterly but was not billed until the grant year end. Monies from other grants were used for operations until the grant was billed and paid. As a cash basis organization, this affected the current year net income and status of cash. The operations manager is to complete timely billings.

Mileage Reimbursement

The mileage reimbursement rate was above the current rate allowed by IRS. This rate changes yearly and sometimes bi-yearly. It is recommended to use the IRS allowed amount or consider the need for providing 1099s to the individuals for the excess.

Record Maintenance

The organization operates as an umbrella organization for the various Fire Safe Councils. Even if the work is completed by the councils the El Dorado County Fire Safe Council is responsible for centralizing all of the records for the grants. Some of the volunteer records, contract authorizations and reports are not in the files. It is recommended to make a standard list of items needed to be maintained in the centralized grant files so the various individuals that are lead on the grants will assure all of the records are included.

ORGANIZATIONAL STRUCTURE

The size of the Council's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Council to provide oversight and independent review functions.

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APPRECIATION

I would like to extend my appreciation to Vicki Yorty, Ken Hasse and Richard Englefield for their cooperation during my audit.

The accompanying comments and recommendations are intended solely for the information and use of the Board of Directors, management and others within the Council and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Jeanine J. Mays". The signature is written in a cursive style with a large, looped initial "J".

Jeanine J. Mays
January 11, 2011