

**EL DORADO COUNTY FIRE SAFE COUNCIL
GOVERNMENT REPORT
(OMB CIRCULAR A-133)
FOR THE YEAR ENDED
JUNE 30, 2010**

EL DORADO COUNTY FIRE SAFE COUNCIL
JUNE 30, 2010

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Jeanine J. Mays

— Certified Public Accountant —

**INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors
El Dorado County Fire Safe Council
Diamond Springs, CA

I have audited the cash basis financial statements of the El Dorado County Fire Safe Council, as of and for the year ended June 30, 2010 and have issued my report thereon dated January 11, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the U.S. Comptroller General, and the provisions of OMB Circular A-133.

My audit was made for the purpose of forming an opinion on the Organization's financial statements taken as a whole. The supplementary schedules of expenditures of federal awards and supplemental schedules as listed in the table of contents are presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads 'Jeanine J. Mays'.

Jeanine J. Mays
January 11, 2011



Jeanine J. Mays

— Certified Public Accountant —

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of Directors
El Dorado County Fire Safe Council
Diamond Springs, CA

I have audited the cash basis financial statements of El Dorado County Fire Safe Council, as of and for the year ended June 30, 2010 and have issued my report thereon dated January 11, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered El Dorado County Fire Safe Council's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A deficiency 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 misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. I consider the deficiencies described in the accompanying schedule of findings and questions costs to be significant deficiencies in internal control over financial reporting. 2010-1 and 2010-2

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

INTERNAL CONTROL OVER FINANCIAL REPORTING-CONTINUED

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As a part of obtaining reasonable assurance about whether El Dorado County Fire Safe Council's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questions costs as item 2010-3.

El Dorado County Fire Safe Council's responses to the findings identified in my audit are described in the accompanying schedule of findings and questions costs. I did not audit El Dorado County Fire Safe Council's responses and, accordingly, I express no opinion on the responses.

I noted certain matters that were reported to management of El Dorado County Fire Safe Council in a separate letter dated January 11, 2011.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jeanine J. Mays
January 11, 2011



Jeanine J. Mays

— Certified Public Accountant —

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
El Dorado County Fire Safe Council
Diamond Springs, CA

COMPLIANCE

I have audited El Dorado Fire Safe Council's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of El Dorado County Fire Safe Council's major federal programs for the year ended June 30, 2010. El Dorado Fire Safe Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of El Dorado Fire Safe Council's management. My responsibility is to express an opinion on El Dorado Fire Safe Council's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about El Dorado County Fire Safe Council's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on El Dorado County Fire Safe Council's compliance with those requirements.

In my opinion, El Dorado County Fire Safe Council complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of my auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-3.

INTERNAL CONTROL OVER COMPLIANCE

Management of El Dorado County Fire Safe Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered El Dorado County Fire Safe Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

El Dorado County Fire Safe Council's responses to the findings identified in my audit are described in the accompanying schedule of findings and questions costs. I did not audit El Dorado County Fire Safe Council's responses and, accordingly, I express no opinion on the responses.

This report is solely intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and its not intended to be and should not be used by anyone other than these specified parties.



Jeanine J. Mays
January 11, 2011

EL DORADO FIRE SAFE COUNCIL
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

<u>Federal Grantor/pass Through Grantor and Program Title</u>	<u>Federal CFDA#</u>	<u>Pass Through Grant Number</u>	<u>Current Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass through California Fire Safe Council-Cooperative Forestry Assistance			
Log Town Fuel Break	10.664	09USFS-X0222	\$ 412,601
2009 Senior and Disabled Defensible Space	10.664	09USFS-X0249	76,348
Gold Hill Estates Shaded Fuel Break	10.664	10USFS-ES538	4,581
2010 Residential Chipping	10.664	10USFS-ES677	8,020
Grizzly Flat 6/7 Shaded Fuel Breaks	10.664	10USFS-ES469	933
			<u>502,483</u>
BUREAU OF LAND MANAGEMENT			
Pass through California Fire Safe Council-National Fire Plan			
Grizzly Flats Fuel Break #5	15.228	09BLM0223	336,693
2009 Residential Chipping Program	15.228	09BLM0233	135,327
			<u>472,020</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 974,503</u></u>

The accompanying notes are an integral part of this schedule

EL DORADO COUNTY FIRE SAFE COUNCIL
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

1) BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards include the federal grant activity of El Dorado County Fire Safe Council is presented on a cash basis of accounting. The information in this schedules is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the financial statements. Expenditures with multi-funding sources are allocated to funding source based on the percentage of labor expended.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

EL DORADO COUNTY FIRE SAFE COUNCIL
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	Yes
Type of Auditor's report on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal/State Program or Cluster</u>
10.664	Cooperative Forestry Assistance

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
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Auditee qualified as a low-risk auditee	No
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EL DORADO COUNTY FIRE SAFE COUNCIL
Status of Prior Year's Findings
For the Year Ended June 30, 2010

No prior year findings

EL DORADO COUNTY FIRE SAFE COUNCIL

Current Year's Findings

For the Year Ended June 30, 2010

U.S. DEPARTMENT OF AGRICULTURE

2010-1 Cooperative Forestry Assistance passed through the California Fire Safe Council
CFDA 10.664 Internal control significant deficiency June 30, 2010

Condition:

The Organization is small with no employees and the operations manager gets and opens mail, prepares checks for signature, makes deposits to the bank, codes disbursements, approves subcontractor's billing statements, and manages programs.

Criteria: Ideal internal controls would have a separate person receiving mail and making deposits. Also, the person preparing the checks would not be the person opening the mail, receiving the bank statements and approving the invoices for payment.

Effect: One person is involved in the custody, authorization and control procedure of cash receipts and disbursements.

Questioned costs: None

Recommendation: Expand the staff in charge of the administration of the Organization to implement a broader separation of duties.

Response: Normal segregation of duties is difficult to accomplish within a small organization. The Board has expanded the duties of the outside accountant to maximize the separation available without hiring staff. The Board of Directors is mindful that the situation is not ideal, but considers that the cost of additional staff is better spent within the program purposes.

2010-2 Cooperative Forestry Assistance passed through the California Fire Safe Council
CFDA 10.664 Internal control significant deficiency June 30, 2010

Condition: The operational manager, an independent contractor, works on all of the programs for the organization. The costs billed to each grant are based on estimated time spent with no supporting documentation.

Criteria: When services are billed to several grants a functional time record must be maintained so the allocation of costs are based on actual time spent.

Effect: The costs of administration of the organizational services billed to the various grants are not supported costs because the allocation method is not approved or reasonable.

Questioned costs: Not material amount

Recommendation: Documentation to support allocation to multiple programs should be maintained.

Response: A functional time record for those spending time on multiple programs will be maintained in the future. The allocation will be based on the weighted average method.

EL DORADO COUNTY FIRE SAFE COUNCIL
Current Year's Findings
For the Year Ended June 30, 2010

U.S. DEPARTMENT OF AGRICULTURE-CONTINUED

2010-3 Cooperative Forestry Assistance passed through the California Fire Safe Council
CFDA 10.664 Compliance significant deficiency June 30, 2010

Condition: The organization sub-contracted services that were over the definition of a major purchase of \$25,000 with out documenting the procurement process.

Criteria: Organizations managing large purchases in a Federal grant program must follow Federal procurement policies to promote fair and equal opportunity and reasonable competition for minimizing the costs to the grant.

Effect: It is unknown if a more reasonable price would have been available or if a minority owned business did not have an opportunity to bid.

Questioned costs: None

Recommendation: It is recommended that the organization make a written purchasing and procurement policy that incorporated the Federal requirements. The contract award process must be documented and maintained in the files.

Response: A written policy will be developed and applied to all purchases of the organization. The Board will document the contract award approval and have it maintained in the files.