



Jeanine J. Mays
— Certified Public Accountant —

REPORTING ON SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

El Dorado County Fire Safe Council
Diamond Springs, CA

In planning and performing my audit of the financial statements of the El Dorado County Fire Safe Council as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, I considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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

A deficiency exists when the design or operation of a control does not allow management or employees in the normal course of their functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control 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 following deficiencies to be significant deficiencies in internal control. Included is management's response.

1. Organizational Structure

Condition: The size of the organization'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 organization to provide oversight and independent review functions.

Criteria: Good business practices dictate a separation of duties between recording, custody, authorization and monitoring in cash receipts, cash disbursement and the payroll cycle. The size of the organization prevents this ideal separation of duties.

Recommendation: Expand the staff in 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 of directors is mindful that the situation is not ideal, but considers the cost of additional staff is better spent within the program purposes.

2. Cost Allocation Methodology

Condition: The operation 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 is based on actual time spent.

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.

3. Written Purchasing and Procurement Policy

Condition: The organization sub-contracted services that were over the definition of a major purchase of \$25,000 without documenting the procurement policy. There is no policy to assure the organization is acquiring goods at a reasonable price.

Criteria: Organizations managing large purchases should have policies to promote fair and reasonable competition for minimizing the costs to the organization.

Recommendation: It is recommended that the organization make a written purchasing and procurement policy. The contract award process should 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 major purchases approvals and document such approval in the minutes.

El Dorado County Fire Safe Council's written response to the significant deficiencies identified in my audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

This information is intended solely for the use staff and board of directors of the El Dorado County Fire Safe Council and is not intended to be and should not be used by anyone other than these specified parties.



Jeanine J. Mays, CPA
January 11, 2011