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EMERGENCY MEDICAL
SERVICES AGENCY

CALIFORNIA TAHOE EMERGENCY SERVICES

OPERATIONS AUTHORITY

REPORT ON ACCOUNTING CONTROLS

AND PROCEDURES

June 30, 2006

ROBERT W. JOHNSON
An Accountancy Corporation
Certified Public Accountant

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January 6, 2010

To the Board of Directors
California Tahoe Emergency Services
Operations Authority
South Lake Tahoe, California

We have audited the financial statements of California Tahoe Emergency Services Operations Authority as of and for the year ended June 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audit of the financial statements of California Tahoe Emergency Services Operations Authority as of and for the year ended June 30, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered California Tahoe Emergency Services Operations Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control 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 misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we have enclosed other recommendations for your consideration.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting. Included is management's response.

2009-1: Reliance upon auditor for financial statement preparation and footnote disclosures:

Condition: Management relies upon the auditor to determine the proper presentation of financial statements and related footnote disclosures.

Criteria: Statement of Auditing Standards No. 112, states that the auditor may not be of the Authority's internal control system; specifically someone from the Authority must be knowledgeable enough in generally accepted accounting principles to know if a misstatement has occurred in the financial statements including the notes to the financial statements.

Cause: The Authority does not have either an employee experienced in generally accepted accounting principles or an accounting firm engaged to prepare financial statements in conformity with generally accepted accounting principles.

Recommendation: The Authority should consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile financial statements in conformity with generally accepted accounting principles.

Management Response: Management has determined there is no cost-benefit to hiring an accountant to prepare financial statements in conformity with generally accepted accounting principles prior to the annual audit of the financial statements.

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

Sincerely,

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation

1. Operating Statistics:

Statement of Income	6-30-06	6-30-05	Favorable (Unfavorable) Variance
Operating revenues	$1,787,683	$1,769,246	$ 18,437
Operating expenses	1,703,598	1,662,101	(41,497)
Operating income (loss)	84,085	107,145	(23,060)
Non-operating items	614	12,367	(11,753)
Net income (loss)	$ 84,699	$ 119,512	$(34,813)
Cash	$ 884,426	$ 564,801	$ 319,625

2. <u>Accounting Oversight</u>:

<u>Observation</u>

June 30, 2006 accounting records were maintained by an outside CPA firm which provided full bookkeeping services including preparation of periodic internal financial statements. The result is that the Executive Director and Board of Directors had the financial information to provide oversight of JPA finances.

During the course of the June 30, 2006 audit it was noted that for the fiscal years subsequent to 2006 internal financial statements were not produced. Internal bookkeeping was limited to a "bill paying service" and production of a check register.

<u>Recommendation</u>

Bring internal accounting up-to-date. Current internal financial statements are necessary for Board review and to permit future financial audits.

3. <u>Executive Director</u>:

<u>Observation</u>

The Executive Director is currently employed as an independent contractor by a written agreement to that effect. While the Agreement outlines duties to be performed, there is no mention of responsibility for insurance and income taxes.

<u>Recommendation</u>

Federal and State regulations governing the area of employee vs. independent contractor are most concerned with the issue of "supervision". How independent is the current executive director to perform his duties?

We recommend the Board revisit this issue including modification of the aforementioned agreement.

4. Policies:

Observation

During our June 30, 2006 we located very few administrative and financial policies.

Recommendation

Written policies protect the JPA and ensure that employees follow the dictates of the Board of Directors.

Examples of financial policies include:

- fraud policy
- investment policy
- retention of records
- use of electronic equipment
- fixed assets policy
- equity reserve policy

Establish written policies ASAP.

5. Investment Income:

Observation

The Authority earned $614 on a cash account of almost $900,000 at June 30, 2006. This is a small return.

Recommendation

Make an effort to higher yield cash investments (e.g. money market, certificate of deposit, etc.).