Cal Tahoe Emergency Services Operations Authority

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EXECUTIVE DIRECTOR
RYAN WAGONER

August 14, 2018
To Whom it May Concern,

The following addresses recommendations made by the independent auditors Richardson & Company, LLP and CTESOA responses to the recommendations.

The CTESOA CPA, Dave Olivo and his team will be taking into consideration and addressing the following:

- *Invoices for work performed before year-end that are paid after year-end should be reported as accounts payable and expenditures. Contract expenditures should be reviewed to ensure the invoice for June services were expensed prior to year-end, including the invoice for Lake Valley Fire Protection District payroll and other miscellaneous expenses.*

- *Invoices paid before year-end for future period expenses should be reported as prepaid expenditures, such as prepaid maintenance agreements.*

- *The general ledger should be reconciled to the Bank of the West account balance used for amounts committed for future ambulance purchases and reclassifying entries should be posted in the committed fund balance account for current activity, including interest income earned. We recommend approval of changes in the committed fund balance be approved with Board Resolutions to provide documentation of approved changes.*

- *Audit adjustments should be posted in the general ledger and fund balance accounts should be reconciled to the prior year audited financial statements to ensure adjustments have been properly posted.*

- *The capital asset detail list should be updated for additions and disposals at year-end and depreciation expense and the gain or loss on sale of capital assets should be recorded in the general ledger. If a separate inventory list is used, the inventory list should be reconciled to the depreciation list in the audit and the asset numbers, purchase dates, descriptions and amounts listed should be made consistent between the two schedules and asset numbers should be listed on disposals instead of being replaced by the word "deleted" to make it easier to identify which* *asset was eliminated. Once the capital asset balance is updated, the investment in capital assets in the equity section should be trued-up to the capital asset balance.*

- *Any amounts withheld from contract service area #3 revenue should be reclassified to the related expense account so the contract service revenue agrees to the amount approved by the County.*

- *We recommend standby fees be reported in a separate account from contract service area #3 payments.*

The following recommendations were also made and are being addressed by CTESOA staff:

- *The inventory observation should be performed at or near year-end and the auditors should be present for the physical count. Once the inventory observation is completed, the change in inventory should be recorded and the nonspendable fund balance should be trued-up to the ending inventory balance.*
  The CTESOA has purchased an inventory software system to keep track of intake, disposal, and use of medical supplies. The information gathered from this software will also help to address the capital asset additions and disposals.

- *A compensated absences detail should be produced from the Paychex system or created manually at year-end that lists the earned time off (ETO) hours earned, pay rate and dollar amount earned and an entry should be posted in the general ledger to record the liability.*
  CTESOA staff has been in contact with representatives of Paychex and will now be able to produce this report on a quarterly basis.

- *The Executive Director should review the general ledger for each check run to ensure revenues and expenses are posted in the proper general ledger accounts according to the budget and should review the general ledger detail again at year-end as a final check for misclassified entries. Reclassifying entries should be posted before the audit begins.*
  The Executive Director now reviews monthly general ledgers for accuracy as well as year-end to ensure any mistakes or discrepancies are caught and addressed.

- *Due to the small number of JPA staff, the performance of controls that provide separation of duties is important to limit the opportunity for staff to make unauthorized transactions. We would like to emphasize the importance of documenting all controls to provide evidence that two staff or a staff person and the contract accountant were involved in important controls. This can be accomplished by maintaining the documentation with an initial of the preparer and reviewer of the control whenever a control is performed. Scanned copies of approved documents would be appropriate for this purpose.*
  Both the Executive Director and the Office Administrator review and initial all controls prior to submission.

- *We noted the CPA hired by the JPA may enter new vendors into the QuickBooks accounts payable module and signs checks, which leaves the JPA vulnerable to unauthorized transactions occurring. Although the Executive Director subsequently reviews checks cut, we recommend* *requiring the Executive Director's signature on all checks (dual signatures) as a preventive control.*

- *We recommend the JPA add or enhance the following policies, possibly by adopting policies of member agencies and adapting them for the JPA's circumstances: Investment policy describing authorized investments, capital asset policy describing items that should be capitalized versus expensed and a capitalization threshold, employee expense reimbursement and travel policy describing expenses that may or may not be reimbursed, conflict of interest/whistleblower policy describing actions that should be reported and the reporting relationships in different circumstances, such as when the Executive Officer is suspected of committing a reportable action and finally we recommend adding policy for medicine and medical supplies inventory observations how often the inventory should be performed.*
  The CTESOA has already began to adopt and develop new policies in order to address these deficiencies.

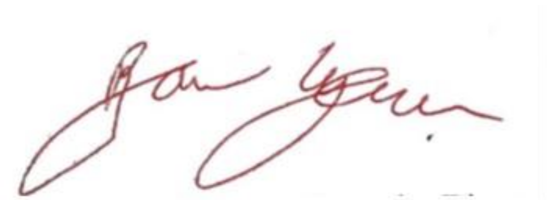
- *We recommend the JPA consider developing a strategic plan that may be used by the Executive Director, along with the information in his employment agreement, to prioritize his workload and be used by the Board to help evaluate the Executive Director's performance.*
  The CTESOA Board of Directors did not adopt this recommendation, feeling as the contract of the Executive Director provides a proficient workload agreement.

- *The JPA should consider establishing a commitment of fund balance for the unfunded Earned time-off (ETO) liability for the JPA's staff hired during the year ended June 30, 2017 to ensure resources are available to pay any existing liability if the JPA dissolves.*
  -The CTESOA has budgeted for this in the 2018-2019 Fiscal Year Preliminary Budget which was presented to and accepted by the Board of Directors on July 9, 2018.

- *The JPA agreed to reimburse member agency "payroll", but it did not appear that the JPA and member agency executed a written agreement defining the specific components of payroll that will be reimbursed. We recommend the JPA execute a written agreement with the member agency discussing which payroll related items will be reimbursed as part of the flat amount provided to members for payroll. We recommend the agreement specifically address, in addition to member agency salaries, whether overtime, temporary help, payroll taxes, health insurance premiums, workers compensation insurance premiums, compensated absences expenditures (i.e. any applicable vacation, sick leave, PTO, compensatory timeoff, etc.), contributions to deferred compensation plans, contributions to retirement plans, contributions to other postretirement benefit (OPEB) plans and any other benefits paid by the member agency will be reimbursed. We recommend the agreement specifically address whether any unfunded liabilities for member agency compensated absences, pension plans and OPEB plans will be funded by the JPA or whether any unfunded liabilities will be the responsibility of the member agency. If the unfunded liabilities will be partially or fully funded by the JPA we recommend the agreement specifically define how the unfunded liabilities for which the JPA is responsible will be computed and funded, including if the JPA dissolves without sufficient cash to fund its share of the unfunded liabilities. We recommend the JPA require the member agency provide support from its general ledger for payroll expenses incurred along with the related bill.*

Should you have further questions regarding the results and adoptions of recommendations made by the auditors please contact me.

Respectfully,



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