

# DISCUSSION DRAFT

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To the Council Members  
Sacramento Valley Basinwide Air Pollution Control Council  
Chico, California

In planning and performing our audit of the financial statements of the Sacramento Valley Basinwide Air Pollution Control Council (Council) for the years ended June 30, 2008 through 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Council's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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 was for the limited purpose described in the first paragraph and was not designed to necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, during our audit, we became aware of the following matters that have been included in this letter for your consideration:

### Segregation of Duties

Because the Secretary/Treasurer performs all aspects of the accounting function, including making deposits, reconciling the bank statement, and preparing all accounting entries, in addition to writing, signing and mailing the checks, the Council has an overall lack of segregation of duties. To mitigate this segregation of duties situation, the Council has instituted certain controls whereby the Council and the Technical Advisory Committee (TAC) are provided the Fund Activity report, Budget to Actual report and listing of checks written. To improve controls, the Council should also be reviewing the monthly bank statements and bank reconciliations. Further, the Council's policy states that bank reconciliations and bank statements are to be provided to the TAC, but it does not appear that this policy is being followed. Consideration should also be given to having someone on the TAC sign checks instead of having the Secretary/Treasurer be the signer on the account.

Accounting System

The Council's accounting records are maintained on spreadsheets rather than in an accounting system. We recommend the Council consider establishing an automated system for its accounting, from which reports to the Council and TAC can be developed.

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We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the audit. This report is intended solely for the information and use of the Board of Directors, management, and others within the Council and does not affect our report dated December \_\_, 2011 on the financial statements of the Council.

December \_\_, 2011