



May 1, 2015

To the Board of Directors  
Tri-Valley Conservancy  
1457 First Street  
Livermore, California 94550

We have audited the financial statements of Tri-Valley Conservancy for the year ended December 31, 2014, and have issued our report thereon dated May 1, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 4, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Tri-Valley Conservancy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Conservancy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was cash deposits and investments. The financial statement disclosures are neutral, consistent, and clear.

1515 River Park Drive, Suite 150  
Sacramento, CA 95815-4606  
Tel (916) 481-2856  
Fax (916) 488-4428  
<http://www.dhscpa.com>

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 1, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Conservancy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Conservancy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Internal Control Communications*

We considered the Conservancy's internal control as a basis for designing audit procedures that are appropriate in the circumstances 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

Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the attached appendix, we identified control deficiencies and other matters that are an opportunity for strengthening internal controls and operating efficiency.

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 a 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

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

Sincerely,



DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

## **Control Deficiencies**

Lack of Journal Entry Review and Approval: All journal entries are prepared and recorded by Barbara Graham, Office Manager, or an outside bookkeeper. We noted journal entries during the period September to December 2014 did not have evidence of review or approval.

We recommend the Conservancy's management perform a review of all journal entries and include evidence of approval by management for all journal entries throughout the entire year.

**Management's Response:** Monthly Journal entries will be printed, reviewed, filed and approved on a monthly basis by the Executive Director.

Missing Payroll Documentation: In our test of payroll, we noted the following related to Form W-4:

One out of the five Conservancy employees' Form W-4s was not properly completed. Without a completed W-4, we cannot determine if the employees' status of withholding rate selected is in agreement with the payroll register.

Two out of five Conservancy employees had the incorrect withholding rate in the payroll register compared to the elected withholding rate on their Form W-4.

We recommend implementing a process to ensure all required forms and supporting documentation are properly completed for employees and implement a process to ensure the correct withholding rate is used in the payroll register.

**Management's Response:** All W-4 forms were reviewed internally and updated. This was coordinated with Prime Pay Payroll services. At the beginning of each calendar year staff will be asked to review their current W-4 form and acknowledge no changes required or changes are required and identify those changes which then will be implemented and will be added to TVC Calendar.

Investment Reconciliation: During our testing of investments, we noted the Conservancy does review and approve the investment reconciliation. We noted the reconciliations agreed to the investment statements and journal entries were recorded; however, the journal entries did not consistently record the transactions to the correct QuickBooks account.

We recommend the Conservancy review journal entries with the investment reconciliation to ensure the proper account is used.

**Management's Response:** Investment reconciliation reports are presented to the Finance Committee. The Executive Director will review in detail the reconciliation and journal entries that are completed by the bookkeeper to ensure the journals are assigned to the proper accounts.

**Other Matters**

Invoice not properly cancelled: During our testing of cash disbursements, we noted one out of five invoices selected did not indicate that it was cancelled. Per review of the Conservancy's policies and procedures, when invoices are processed they should be cancelled after they are paid with a "Paid" stamp.

**Management's Response:** The Executive Director will ensure that each bill is stamped concurrently when signing the checks.

### **Prior Year Recommendations**

Lack of Journal Entry Review and Approval: All journal entries are prepared and recorded by Barbara Graham, Office Manager, or an outside bookkeeper. We noted transactions are recorded in QuickBooks that do not have evidence of approval or review.

We recommended the Conservancy's management perform a review of all journal entries and include evidence of approval by management for all journal entries.

**Status:** See current year recommendation.

Investment Reconciliation: During our testing of investments, we noted the Conservancy does review and approve the investment reconciliation. Investment entries had balances recorded to the incorrect accounts. Without performing a review of reconciliations significant adjusting entries could be overlooked or recorded incorrectly.

We recommended the Conservancy implement a policy requiring review and approval of the investment reconciliation by an individual with the necessary skills and expertise.

**Status:** See current year recommendation.

Missing Payroll Documentation: In our test of payroll, we noted one out of the five Conservancy employees' Form W-4s was not properly completed. Without a completed W-4, we cannot determine if the employees' status of withholding rate selected is in agreement with the payroll register.

We recommended implementing a process to ensure all required forms and supporting documentation are properly completed for employees.

**Status:** See current year recommendations.