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To the Board of Directors
and Management of
14th District Agricultural Association

In planning and performing our audit of the basic financial statements 14th District Agricultural Association (the “DAA”) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the DAA’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DAA’s internal control. Accordingly, we do not express an opinion on the effectiveness of the DAA’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 below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the following deficiencies in internal control to be significant deficiencies:

2015-01 Internal Controls over Cash Disbursements and Credit Card Expenses

Observation: During the audit, we reviewed the DAA’s internal control procedures over cash disbursements and credit card expenses noting that supporting documentation for disbursements and credit card expenses was inconsistently applied.

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Effect: The lack of consistent supporting documentation over disbursements could lead to the possibility of errors or fraud going undetected.

Recommendation: We recommend the DAA review and ensure the internal control processes in place are consistently applied.

2015-02 Santa Cruz County Fair

2015-02a Parking Lot Ticketing

Deficiency: During our observation of the 2016 Santa Cruz County Fair held on September 14-18, 2016, we noted vehicles had parking passes displayed with a date different than the date of the fair.

Effect: Increases the possibility of understatement of revenues and cash, due to fraud.

Recommendation: We recommend that the DAA review the parking lot procedures and update if needed to correspond with the procedures assigned to the parking employees during the annual festival.

2015-02b Security of Assets

Deficiency: During our observation of the 2016 Santa Cruz County Fair held on September 14-18, 2016, we noted that cash was not properly secured at all times at the ticket gates. Large amounts of cash were noted being held out in the open.

Effect: Lack of physical security of business assets and resources could result in loss or damage of unsecured assets and resources.

Recommendation: We recommend that cash be kept out of sight. Additionally, cash on hand should be restricted to a small amount in order to avoid large amounts of misappropriation or loss.



McGilloway, Ray, Brown & Kaufman
Salinas, California
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