

**MOUNTAINS RECREATION AND CONSERVATION
AUTHORITY**

SINGLE AUDIT REPORT

For the Fiscal Year Ended June 30, 2015

Mountains Recreation and Conservation Authority

Single Audit Report

For the Fiscal Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
of the Mountains Recreation and Conservation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mountains Recreation and Conservation Authority (Authority) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. During our audit we did identify one deficiency in internal control that we consider to be a material weakness (Finding 2015-01). However, other material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance. We noted certain other matters that we reported to management of the Mountains Recreation and Conservation Authority in a separate letter dated March 25, 2016.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 25, 2016



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
of the Mountains Recreation and Conservation Authority
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited the Mountains Recreation and Conservation Authority (Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended June 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Authority, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated March 25, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 25, 2016

MOUNTAINS RECREATION CONSERVATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED, JUNE 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Expenditures of Federal Awards
U.S. Department of the Interior			
Direct Programs:			
ARRA- Conservation Activities by Youth Service Organizations	15.931	n/a	\$ 10,978
Cultural Resources Management	15.946	n/a	25,118
National Park Service Conservation, Protection, Outreach, and Education	15.954	n/a	* 316,618
Natural Resource Stewardship	15.944	n/a	<u>16,071</u>
Total U.S. Department of the Interior			<u>368,785</u>
U.S. Department of Transportation:			
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	DEML05-6115-008	* <u>202,931</u>
Total U.S. Department of Transportation			<u>202,931</u>
United States Environmental Protection Agency			
Direct Programs:			
Urban Waters Small Grants	66.440	n/a	<u>23,974</u>
Total United States Environmental Protection Agency			<u>23,974</u>
Total Expenditures of Federal Awards			<u><u>\$ 595,690</u></u>

* Denotes major program
N/A - Not available

See accompanying notes to schedule of expenditures of federal awards

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(1) Reporting Entity

The financial reporting entity consists of (a) the primary government, Mountains Recreation and Conservation Authority (Authority), and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

(2) Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the General Fund of the Authority. The Authority utilizes the modified accrual method of accounting for the General Fund. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the Authority. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California.

The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the Authority.

(3) Relationship to Basic Financial Statements and Federal Financial Reports

Information reported in the accompanying Schedule agrees with the amounts reported in both the Authority's financial statements and related federal financial reports for the federal award programs. Revenues from federal award programs are reported as intergovernmental revenues in the financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified not considered to be material weaknesses?

 Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses?

 Yes X None reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510 (a)

 Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

 15.954

National Park Service Conservation, Protection, Outreach and Education

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee:

 Yes X No

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II – Finding – Financial Statement Audit

Material Weaknesses

2015-01 Finding – Lack of internal control over cash receipts:

During the review of internal control, we noted a lack of internal control and oversight over cash receipts in two areas:

1. Iron Ranger parking permit stations.
2. Facility reservation and rentals at offsite locations.

It was noted that there was no currently feasible way to review or reconcile cash remitted from Iron Ranger stations and compare it to amounts deposited in the Iron Ranger stations. It was also noted that each offsite location that offers facility rentals and reservations handles all aspects of the process with no oversight from the finance department.

Effect:

Proper internal control dictates that management should have sufficient oversight and control over cash receipts, whether they are for parking permits or facility rentals, to allow for proper review and reconciliation of amounts remitted compared to amounts collected at any and all offsite cash collection points. A lack of internal control and oversight over such receipts could result in misappropriation of funds that could go undetected by management.

Recommendation:

We recommend that policies and procedures be implemented that allows for additional review and reconciliation of all cash receipts collected at offsite locations.

Management's Response:

We are continuing to implement processes in response to these concerns. In FY14-15, 64% of iron ranger collections were discontinued in favor of other revenues. A credit card machine will be installed at an additional site during FY15-16, further reducing iron ranger collections by 18%. In December, 2015, electronic deposits began at an additional site, with a third site to be converted to electronic deposits shortly. In addition, during FY15-16, we implemented sequentially numbered permits for tracking of facility rentals and reservations. In addition, during FY15-16, MRCA implemented sequentially numbered permits to facilitate finance department tracking of facility rentals and reservations.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section III – Findings and Questioned Costs – Major Federal Award Program Audit

No findings noted.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section IV – Status of Prior Year's Findings and Questioned Costs

2014-01 Finding – Lack of internal control over cash receipts:

During the review of internal control, we noted a lack of internal control and oversight over cash receipts in two areas:

1. Iron Ranger parking permit stations.
2. Facility reservation and rentals at offsite locations.

It was noted that there was no currently feasible way to review or reconcile cash remitted from Iron Ranger stations and compare it to amounts deposited in the Iron Ranger stations. It was also noted that each offsite location that offers facility rentals and reservations handles all aspects of the process with no oversight from the finance department.

Effect:

Proper internal control dictates that management should have sufficient oversight and control over cash receipts, whether they are for parking permits or facility rentals, to allow for proper review and reconciliation of amounts remitted compared to amounts collected at any and all offsite cash collection points. A lack of internal control and oversight over such receipts could result in misappropriation of funds that could go undetected by management.

Recommendation:

We recommend that policies and procedures be implemented that allows for additional review and reconciliation of all cash receipts collected at offsite locations.

Management's Response:

1. MRCA currently monitors pre-numbered collection bags and sends "marked money" through the system to confirm that cash collected is received in Finance. MRCA will evaluate automated pay stations at high volume locations.

2. MRCA will develop and implement controls for facility collections including tracking by permit numbers and e-deposit of checks collected. MRCA will evaluate additional controls including computerized permit tracking system, accepting credit cards and spot audits.

Status:

Partially implemented - See Finding 2015-01.