
TAHOE CITY PUBLIC UTILITIES DISTRICT
Tahoe City, California

**REPORT TO MANAGEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2015**

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
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REPORT TO MANAGEMENT

June 30, 2016

To Management of Tahoe City Public Utility District
Tahoe City, California

In planning and performing our audit of the financial statements of Tahoe City Public Utility District (the District) 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 District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of two matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 30, 2016, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in black ink that reads "Mann, Urrutia, Nelson CPAs".

Mann, Urrutia, Nelson CPAs & Associates, LLP

**Tahoe City Public Utility District
Communication of Control Deficiencies and Recommendations**

IT User Access

During our review of internal controls over IT user access, we noted the following:

Employee access in the accounting software is set up by "Menu" rather than by "User." As a result, an employee who only needs access to view a particular module of the software is granted full access to that module, including the ability to write checks and to post or alter journal entries. This could potentially result in employees having full access to areas of the accounting system that are incompatible with their primary job duties. We recommend that the District reviews access by "User" to ensure each employee is only granted necessary access to the accounting software.

Status: Implemented

"Default" user access in the accounting software limits users to the ability to view journal entries in the accounting system without making changes. We noted that default users have the ability to drill down on payroll journal entries in the system, and view the entries for payroll deductions, which include employee names and amounts deducted from their paychecks. Because payroll can contain confidential data, we recommend that access to payroll related journal entries be limited to payroll department personnel only.

Status: In progress. District staff is working with the software vendor to correct the issue. This is expected during fiscal year 2016.

Payroll Testing

During our testing of internal controls over payroll, we noted that the District was missing 2 employee timecards from payroll period ending 6/5/2015, out of a total of 32 records tested for various pay dates during the year. We recommend that record retention protocol is followed carefully to ensure that appropriate documentation is retained for payroll transactions.

Status: Implemented

**Tahoe City Public Utility District
Status of Prior Year Recommendations**

Journal Entry Review

Currently, there are no procedures in place for review of the Director of Accounting and Employee Service's (CFO's) journal entry submission. The District should consider having these journal entries reviewed by a separate party in order to avoid possibility of management override.

Status: Implemented

Quarterly Financial Packet

During our review of quarterly financial packets, we discovered that one of the quarterly financial packets had not been prepared or presented to the finance committee. In order to provide financial oversight, the finance committee should receive financial data timely.

Status: Implemented

Due to/from Account Balances

Generally due to/from accounts are used to account for short-term interfund loans. Per our review of the District's due to/from accounts, it appears balances are accumulating and not being cleared out. We recommend that the District clear out their interfund due to/from accounts periodically. However, if the interfund loan is indeed considered long-term, we recommend the District utilize advances to/from accounts and generate an agreement for the repayment of funds.

Status: Partially implemented. Due to/from account balances will be reconciled and eliminated when the enterprise fund is separated into two funds to account for water and sewer separately. This is expected during fiscal year 2016.