
KENSINGTON FIRE PROTECTION DISTRICT

MANAGEMENT REPORT
FOR THE YEAR ENDED
JUNE 30, 2020

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

To the Board of Directors and Management
of Kensington Fire Protection District

In planning and performing our audit of the financial statements of Kensington Fire Protection District as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Kensington Fire Protection District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kensington Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comment and suggestion regarding the matter. This letter does not affect our report dated April 2, 2021, on the financial statements of Kensington's Fire Protection District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the District's management, 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.

This communication is intended solely for the information and use of management, Board of Directors, and others within Kensington Fire Protection District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Mann, Urrutia, Nelson, CPAs & Associates, LLP
Sacramento, California
April 2, 2021

**KENSINGTON FIRE PROTECTION DISTRICT
SUMMARY OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2020**

Journal Entries

During our journal entry testing we noted that for all 25 entries selected for testing, we were unable to verify that the entries had been independently reviewed/approved by an authorized individual other than the individual responsible for preparing the entry. We recommend management implement a process by which an independent review of all manual journal entries is formally documented.

Management Response: A new process was implemented starting January 1, 2021. On a weekly basis, the General Manager reviews and, when necessary, notates invoices and payments prior to the District's accountants, Maze & Associates ("Maze"), inputting them into QuickBooks. Then, every month in preparation for the regular board meeting, Maze provides a draft transmittal of general fund payments with backup invoices to the General Manager for approval. The General Manager revises and approves the transmittal as necessary and subsequently publishes it in the board packet for approval. The signed transmittal is then sent to the County with the backup invoices for payments to be issued. The County does its own review of the submitted material prior to issuing payments.

The board packet also includes financial reports from QuickBooks (e.g. P&L, Cash & Investment Balance Sheet, Revenue & Expense Budget) for review. The transmittal includes a reimbursement request that shows the past month's payments from the Revolving Fund, i.e. Mechanic's Bank checking account, in order to replenish the account with a transfer from the General Fund. Thus, the checking account activity is now regularly approved by the board in the same transmittal review process. In 2020, revolving fund reimbursements did not happen on a regular basis but starting in 2021 they are now reviewed monthly and provide the General Manager with an opportunity to double check the books and records filed by Maze & Associates.

Bank Reconciliations

During our walkthrough of the design and implementation of internal controls over financial close and reporting we noted that no review of monthly bank reconciliations is performed. We recommend the District Manager perform a timely review all monthly bank reconciliations.

Management Response: Please see the process above. The General Manager receives the financial reports of funds held with the County as well as the Mechanics Bank account statement and reviews them prior to forwarding to Maze & Associates.

Accounts Receivable

We noted during our testing of Accounts Receivable a large volume of activity dating back to at least calendar year 2001 that should be cleared from the District's general ledger. We recommend that District's management review Accounts Receivable sub-ledger for stale activity.

Management Response: The GM is working with Maze & Associates to clear any stale activity.

Capital Assets

During our testing of the District's capital assets we noted that the asset listing provided did not agree to the general ledger accounts and management was unable to provide support for additions totaling \$10,907. Furthermore, we identified an asset that had received depreciation expense in excess of its gross book value requiring adjustment of \$9,996. We recommend that management reconcile asset listing to general ledger at year-end and implement procedures to prevent improper calculations of depreciation.

Management Response: Maze & Associates has been directed to reconcile asset listing to general ledger at year-end per the recommendation which will then be reviewed by the General Manager. We understand the improper calculations were based on an error in a spreadsheet cell and will adopt a more reliable method for calculating depreciation.

**KENSINGTON FIRE PROTECTION DISTRICT
SUMMARY OF CURRENT YEAR FINDINGS AND RECOMMENTATIONS (CONTINUED)
JUNE 30, 2020**

Internal Control over Financial Reporting

Subsequent to our receipt of the trial balance and commencement of audit procedures, we identified several accounting issues and discrepancies that required a large volume of journal entries by management to correct general ledger balances. We recommend management perform a timely year-end close and that all book balances are reconciled to District records.

Management Response: The current process and protocols being followed by the GM and accountants are updating the books on a more timely and regular basis which will allow for a more expedited year-end close than the prior year.

**KENSINGTON FIRE PROTECTION DISTRICT
STATUS OF PRIOR YEAR AND RECOMMENDATIONS
JUNE 30, 2019**

Bank Reconciliation

During our procedures to update our understanding of the bank reconciliation process for the KFPD revolving account, we noted the bank reconciliation was being performed as of the bank statement date, and not the period end date. We recommend management implement a policy to perform bank reconciliations as of the period-end date, which is especially important during year-end closing.

Status: Implemented in current year.