

**MOUNTAINS RECREATION AND
CONSERVATION AUTHORITY**

**MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER**

June 30, 2007



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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April 21, 2008

Mountains Recreation & Conservation Authority
570 West Avenue 26, Suite 100
Los Angeles, CA 90065

RE: Recommendations and suggestions resulting from the annual audit of the Mountains Recreation and Conservation Authority for the fiscal year ended June 30, 2007

Honorable Board Members:

Having completed the annual audit of the Mountains Recreation and Conservation Authority's records for the fiscal year ended June 30, 2007, we would like to take this opportunity to bring to your attention a number of observations, recommendations, and suggestions we feel are appropriate at this time. The following findings, which we feel need to be reported are:

Cash Receipts Test

2007 – 1 Finding – Lack of control over cash:

During our test of cash receipts, we noted that the Authority did not have an adequate internal control system over parking fees collected in cash. As a result, we were unable to trace the cash turned into the Finance Department to any supporting documentation to verify that the amount recorded by the Authority was the same as the amount collected.

Effect:

The lack of control over cash could lead to a misappropriation of funds.

Recommendation:

We recommend that the Authority implement an internal control system to oversee the cash collected from parking fees.

Management's Response:

The Authority will continue to evaluate parking fee machines in lieu of "iron rangers".

Federal Compliance

2007 – 2 Finding – Reimbursement requests were not submitted in a timely manner.

The Authority did not submit the reimbursement request in a timely manner which was more than six months late.

Effect:

The Authority did not submit the reimbursement request in a timely manner. Potential interest revenue was lost and the Authority may experience low cash flows. The Grantor does not have financial information in a timely manner.

Recommendation:

The Authority should compile the grant activity information as soon as possible and submit the request for reimbursement soon after the period end.

Management's Response:

The Authority will continue to work towards more timely filing of the reimbursement requests.

2007 – 3 Finding – No approval from federal awarding agency for awarding contract to the single bidder.

The Authority did not obtain approval from the State or Department of Homeland Security for awarding a contract to a subcontractor for a project over \$100,000. In addition, the subcontractor was the only bidder on the project.

Effect:

The Authority is not in compliance with the OMB Circular A-133 in reference to proper procurement procedures.

Recommendation:

The Authority should obtain approval from the awarding federal agency when procurement exceeds \$100,000 and only single bid or offer was received.

Management's Response:

The Authority will continue to work with designated FEMA/OES staff in pursuit of continuous improvement.

The recommendations and suggestions herein noted are of a general nature only and are not to be taken as criticism of current management. Should you wish to have a more detailed explanation or assistance in executing them, we would be happy to be of assistance in any way.

Very truly yours,

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California



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April 21, 2008

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

We have audited the financial statements of the Mountains Recreation and Conservation Authority (Authority) for the fiscal year ended June 30, 2007, and have issued our report thereon dated April 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Mountains Recreation and Conservation Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Mountains Recreation and Conservation Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the Mountains Recreation and Conservation Authority during the fiscal year that were both significant and unusual, and of which, under professional standards we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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. The most sensitive estimate affecting the financial statements was the Funding Progress for PERS, the estimated historical cost of capital assets, and the estimated useful life of the capital assets.

Management's estimate of the Funding Progress for PERS is based on PERS's estimate, while the estimated historical cost of capital assets and the estimated useful life of the capital assets was based on historical data, industry guidelines, and an outside consultant which was hired by the Authority. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Mountains Recreation and Conservation Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, the adjustments we proposed for the equipment replacement fund indicate matters that could have a significant effect on the Mountains Recreation and Conservation Authority's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

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 governmental unit'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 accountants 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.

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

This information is intended solely for the use of the Board of the Mountains Recreation and Conservation Authority and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Moss, Levy & Hartzheim, LLP
Beverly Hills, California