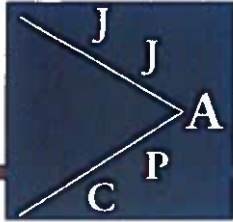


**MENDOCINO COUNTY TOURISM COMMISSION, INC.**  
**DBA VISIT MENDOCINO COUNTY**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AND**  
**COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS**

**JUNE 30, 2018**



**JJACPA, Inc.**

A Professional Accounting Services Corp.

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October 3, 2018

To the Board of Directors  
Mendocino County Tourism Commission, Inc.  
Fort Bragg, California

We have audited the financial statements of Mendocino County Tourism Commission, Inc. (Commission) as of and for the years ended June 30, 2018 and June 30, 2017, and have issued our reports thereon dated October 3, 2018 and November 16, 2018, respectively. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated July 15, 2018, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are accounts receivable.

Management's estimate of the accounts receivable amounts is based on a third party allocation based upon estimated collections for the quarter ended June 30, 2018. We evaluated the key factors and assumptions used to develop the accounts receivable amounts and determined that they are reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Commission's financial statements relate to commitments and contingencies.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

The Commission recorded certain amounts for prior year increases in net position of \$200,507. This resulted in the finding for the fiscal year ended June 30, 2016, identified as Finding 2016-01.

## **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, which could be significant to the Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which is included in the attached letter dated October 13, 2018.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

## **Communication of Internal Control Related Matters**

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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. Given these limitations, during our audit we identified Recommendation 2018-1 as a significant deficiency in internal control and no items that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Board of Directors and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Joseph J. Arch*

JOSEPH J. ARCH, CPA  
President/CEO  
JJACPA, INC.

**Mendocino County Tourism Commission, Inc.**  
**Schedule of Findings and Responses**  
**For the years ended June 30, 2018 and June 30, 2017**

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**Finding 2018-01**

**Significant Deficiency – Segregation of duties – Bank reconciliation**

**Condition:**

The Commission currently contracts with an outside bookkeeper to input, process and record transactions to the general ledger. In addition, the outside bookkeeper reconciles the bank account.

**Effect:**

Transactions could be recorded for improper amounts or to incorrect vendors and the errors or irregularities not detected in a timely manner.

**Cause:**

There is no segregation of duties to separate the procedures in a manner that mitigates the risk of error or fraud.

**Criteria:**

The Committee of Sponsoring Organizations (COSO) dictates that proper segregation of duties should dictate that individuals with adequate knowledge should be assigned duties so the authorization, recording and custody of assets sufficient to perform procedures do not conflict or create undue risk of error or fraud.

**Recommendation:**

We recommend that the Commission separate the bank reconciliation and data entry and recording functions to mitigate the risk of error or fraud.

**Responsible Official's Response:**

We agree with the finding represented above.

**There were no prior year findings or recommendations for the year ended June 30, 2017.**