

GOLDEN SIERRA JOB TRAINING AGENCY

Report to Management

For the Year Ended June 30, 2007

**GOLDEN SIERRA JOB TRAINING AGENCY
REPORT TO MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2007**

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To the Board of Directors and
Management of the Agency

We have audited the financial statements of the governmental activities and major fund of the Golden Sierra Job Training Agency (Agency) for the year ended June 30, 2007, and have issued our report thereon dated March 3, 2008. Professional standards require that we provide you with certain information related to our audit. That information is included in the Required Communications section of this report.

In planning and performing our audit of the financial statements of the Agency, we considered the Agency's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an assurance on internal control. However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our current year comments and recommendations.

This letter does not affect our report dated March 3, 2008, on the financial statements of the Agency.

The accompanying report is intended solely for the Board of Directors and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank Agency management and staff for the courtesy and cooperation extended to us during the course of our engagement. We have discussed our comments and suggestions with management and would be pleased to discuss them further.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
March 3, 2008

**GOLDEN SIERRA JOB TRAINING AGENCY
REPORT TO MANAGEMENT
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

I. Our Responsibility under U.S. Generally Accepted Auditing Standards and *OMB Circular A-133*

As stated in our engagement letter dated October 23, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. 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 misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Golden Sierra Job Training Agency's (Agency) internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Agency's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to the Agency's major federal program for the purpose of expressing an opinion on the Agency's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Agency's compliance with those requirements.

II. Significant Accounting Policies

Management is responsible for the 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 Agency are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2007. We noted no transactions entered into by the Agency during the 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.

**GOLDEN SIERRA JOB TRAINING AGENCY
REPORT TO MANAGEMENT
REQUIRED COMMUNICATIONS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

III. 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 is the accrual and disclosure of compensated absences. The accrual for compensated absences is based on earned vacation leave. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

IV. 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 Agency's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Agency, either individually or in the aggregate, indicate matters that could have a significant effect on the Agency's financial reporting process.

V. 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.

VI. 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 accountant 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.

VII. Issues Discussed Prior to Retention of Independent Auditors

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

**GOLDEN SIERRA JOB TRAINING AGENCY
REPORT TO MANAGEMENT
REQUIRED COMMUNICATIONS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

VIII. Difficulties Encountered in Performing the Audit

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

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

**GOLDEN SIERRA JOB TRAINING AGENCY
REPORT TO MANAGEMENT
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED 30, 2007**

I. IDENTIFICATION AND EVALUATION OF INTERNAL CONTROLS

The Agency has a responsibility for the stewardship and safeguarding of public resources. In order to fulfill this responsibility, the Agency has implemented internal controls that serve as the first line of defense in safeguarding assets. Additionally, these controls are designed to ensure: (1) effective and efficient operations, (2) reliable financial reporting and (3) compliance with applicable laws and regulations. The Committee on Sponsoring Organizations of the Treadway Commission (COSO) has established a nationally recognized framework for internal control in its *Internal Control – Integrated Framework* and its related *Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting*. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. Risk Assessment and Monitoring are integral parts of internal control and management should periodically evaluate the risks and monitor the changes facing the Agency. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively. The Auditing Standards Board (ASB) of the American Institute of Certified Public Accountant's (AICPA) recently adopted a set of eight Statements of Auditing Standards (SAS No. 104 through 111), which, among other things, require auditors to assess an organization's design of controls and determine whether the controls have been placed in operation for all elements of internal control over financial reporting. If controls do not exist, are poorly designed or not operating effectively, the auditor must evaluate the control deficiency and report the deficiency to management, including whether the control deficiency is a significant deficiency or material weaknesses. These standards are also incorporated in *Government Auditing Standards (July 2007 Revision)* issued by the Comptroller General of the United States. The Agency should perform a comprehensive risk assessment analysis and document its risk assessment policies and procedures for each fiscal year beginning July 1, 2007. We recommend the Agency should review the COSO *Internal Control – Integrated Framework* and its related *Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting* and comply with the best practices outlined therein.

Management Response:

During fiscal year 2008, Agency management will review the above mentioned documentation and complete the suggested risk assessment and analysis, together with documenting its findings. All findings will be evaluated by senior management and corrective actions will be initiated as deemed necessary. This documentation will be available for review by the auditors during their next engagement.

**GOLDEN SIERRA JOB TRAINING AGENCY
REPORT TO MANAGEMENT
FINDINGS AND RECOMMENDATIONS (CONTINUED)
FOR THE YEAR ENDED 30, 2007**

II. ACCOUNTS PAYABLE CUTOFF

During our search for unrecorded liabilities, we noted numerous exceptions in which payments relating to subrecipient reimbursements for services performed prior to the year-end date were not recorded as payables in the proper period. Proper cutoffs are critical for the accuracy of the accrual basis of accounting. We suggest that the Director of Fiscal Operations prepare written instructions to be included as part of the Agency's accounting policies and procedures manual that indicates basic concepts of proper cutoffs and the individuals responsible for accruing payables at the end of the accounting period. During the year-end closing process, the Director of Fiscal Operations should monitor the performance of these procedures, review the resulting accruals and approve recording into the general ledger.

Management Response:

The Director of Fiscal Operations will review existing procedures regarding accounts payable cutoffs at year end and initiate any modifications necessary to insure that the above was an isolated instance caused by the restructuring of the El Dorado Consortia billing operation.