TOWN OF MORAGA
MANAGEMENT REPORT
FOR THE YEAR ENDED
JUNE 30, 2010

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MANAGEMENT REPORT

To the Town Council
Town of Moraga
Moraga, CA

In planning and performing our audit of the financial statements of Town of Moraga as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's 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 comments and suggestions regarding those matters. This letter does not affect our report dated December 4, 2010, on the financial statements of Town of Moraga.

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 Town 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.

Sacramento, CA
December 4, 2010

TOWN OF MORAGA
CURRENT YEAR FINDINGS
JUNE 30, 2010

Review receivables for deferred revenue and create separate deferred revenue account codes

During the audit it was noted that certain grant revenues that did not meet the availability criterion were not recorded as deferred revenue. We recommend that the Town review the accrued receivables for amounts that have not been collected within 60 days after year end and reclassify them to deferred revenue. We also recommend the Town create a separate account code for deferred revenue-unavailable and deferred revenue unearned. The second account is used for funds which are received but not earned, which are reported both on the government-wide statement of net assets and the governmental balance sheet.

TOWN OF MORAGA
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2009

Procurement Procedures Manual

As part of the single audit, we were required to review the procurement procedures. Currently, procurement procedures are composed of checklists created by the Town and separate CalTrans procedures. In order to strengthen controls surrounding procurement, the Town should create a comprehensive procurement policy which can be obtained and reviewed from one source.

Status: Implemented

Request for reimbursements

During the audit, we found that requests for reimbursements were not being submitted in a timely manner. Generally, the Administrative Services department bills grant agencies on a quarterly basis for reimbursement of costs incurred for project work. However, the Town's process for submitting a billing currently includes a review and approval by other departments prior to final submittal. This process results in delays in submitting billings in a timely manner.

We recommend that the Town improve the grant billing process and that requests be submitted at least quarterly in order to prevent cash flow issues. In addition, it is imperative these reports be filed at June 30, to ensure proper accounting for the annual audit as well as the Single Audit.

Status: Implemented

Prepare for Governmental Accounting Standards Board (GASB) Statement No. 54

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance—the difference between assets and liabilities in the governmental fund financial statements—is among the most widely and frequently used information in state and local government financial reports. This statement becomes effective in fiscal year 2011.

We recommend that the Town begin the analysis needed to assess the extent to which the Town's fund balance presentation will change under the new Statement. We also recommend that the Town review the nature of its fund types to ensure that they continue to meet the fund type requirements as clarified in the Statement.

Status: In progress, implementation is due for fiscal year ending June 30, 2011