



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
California Beef Council

We have performed the procedures enumerated below, as specified in the Manual for Performing Agreed Upon Procedures for California Agricultural Marketing Programs for the year ended December 31, 2011, solely to assist the specified parties in evaluating California Beef Council's compliance with the California Department of Food & Agriculture (CDFA) *Accounting Guidelines and General Rules*, effective October 1, 2009 and amendments effective January 1, 2011, and the Council's internal policies and procedures. Management is responsible for the Council's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed Upon Procedures Performed

1. Review the Council's compliance with the California Department of Food & Agriculture's (CDFA) *Accounting Guidelines and General Rules*, effective October 1, 2009 and amendments effective January 1, 2011 and the Council's internal written policies and procedures, for the following accounts and transactions during the year ended December 31, 2011:
 - a. Accounts 6380 & 6400 - Travel & Lodging, Meals & Entertainment
 - b. Employee use of Council-Owned vehicles
 - c. Financial Transactions between Entities
 - d. Contracts

2. Assess the Council's current internal control structure in relation to the CDFA *Accounting Guidelines and General Rules*, focusing on the following internal control transaction cycles as defined by CDFA:
 - a. General ledger and bank reconciliation oversight
 - b. Safety of property
 - c. Cash receipts
 - d. Cash disbursements
 - e. Documentation for travel, lodging, and meals expenses

We were not engaged to, and did not; conduct an examination, the objective of which would be the expression of an opinion on compliance with the Department's Accounting Guidelines and General Rules and the Council's internal policies and procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Detailed results of our procedures and findings are described in Appendix "A" to this report.

This report is intended solely for the information and use of the California Department of Food and Agriculture, the Council's board of directors and management of the Council and is not intended to be and should not be used by anyone other than these specified parties.



Damore, Hamric & Schneider, Inc.
Certified Public Accountants

March 6, 2012

Appendix "A"

California Beef Council Agreed Upon Procedures

Details of Procedures Performed:

1. In order to review compliance with California Department of Food & Agriculture (CDFA) *Accounting Guidelines and General Rules* and the Council's internal policies and procedures for the period of January 1, 2011 - December 31, 2011:
 - a. We selected 20 of approximately 130 transactions from general ledger account 6380 and 6400 – Travel, Lodging, Meals and Entertainment for testing.
 - b. We determined whether the Council was properly reporting employee vehicle use and tax by:
 - i. Ensuring that employees using Council-owned vehicles followed the automobile policy as described in the Council's Operations Manual.
 - ii. Reviewing payroll documents to note reasonableness of any tax payments made.
 - c. We determined whether any inappropriate financial transactions were occurring between the Council and the related entities by:
 - i. Reviewing all financial transactions between the Council and related entities to determine whether they met the requirements under the CDFA *Accounting Guidelines and General Rules*. We then selected transactions for testing, if any.
 - d. We selected 2 out of 2 contracts for review and testing.
2. In order to assess the Council's current internal control structure, we identified key controls of each cycle listed below and as described in the CDFA *Accounting Guidelines and General Rules*, and compared the key controls to the Council's current internal control procedures as documented in the Council's Accounting Policies and Procedures Manual. We also performed a verification of each key control by selecting a sample item to confirm the process.
 - a. General ledger and bank reconciliation oversight
 - b. Safety of property
 - c. Cash receipts
 - d. Cash disbursements
 - e. Travel, lodging, and meals

Results of Procedures Performed:

1. Transaction Testing

- a. **Account 6380 & 6400 – Travel, Lodging, Meals & Entertainment:** We noted nine out of the 20 travel transactions tested were credit card payments. The credit card statements did not indicate or have approval of a board member for the expenditures made by the Executive Director. We also noted 1 out of the 20 travel transactions tested in which an employee was reimbursed at the incorrect IRS designated mileage rate. The employee was reimbursed 50 cents per mile on January 15, 2011. However, from January to June 2011, the IRS mileage reimbursement rate was 51 cents. This error resulted in an underpayment of less than three dollars. The other travel mile reimbursements tested were calculated using the correct IRS designated mileage rate. We also noted 1 transaction out of the 20 was recorded in a different subaccount. However the correct expense code was used, and so there was no effect on the financial statements.
- b. **Vehicle use and tax:** We noted no findings in relation to vehicle use and tax. We noted they were made in line with the *CDFA Accounting Guidelines and General Rules*.
- c. **Financial transactions between entities:** There were no financial transactions between related entities noted.
- d. **Contracts:** We noted no findings in relation to the contracts. We noted they were made in accordance with the *CDFA Accounting Guidelines and General Rules*.

2. Internal Control Recommendations

- a. **General ledger and bank reconciliation oversight:** No findings noted.
- b. **Safety of property:** No findings noted.
- c. **Cash receipts:** No findings noted.
- d. **Cash disbursements:** No findings noted.
- e. **Documentation for travel, lodging, and meal expenses:** Per *Accounting Guidelines and General Rules* page 26, at a minimum, the Council's procedures for credit card use shall require that the credit card expenses made by the Executive Director be reviewed by an officer of the board of directors. Since there is no board member in the area to review the Executive Director's credit card expenses, we recommend the Executive Director scan and e-mail the board the credit card statements with a summarized document of the expenses incurred for each travel. Per the *CDFA Accounting Guidelines and General Rules* page 45, reimbursement for privately owned vehicles in connection with the Council's shall be at the mileage rate designated by the U.S. Internal Revenue Service.

We recommend the Council use the IRS mileage reimbursement rates applicable at the time when travel took place. We also recommend double checking the account coding on invoices when recording transactions in QuickBooks.