



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, 2012, 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, 2012, and the Council's internal policies and procedures. California Beef Council's 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 and Agriculture's (CDFA) *Accounting Guidelines and General Rules*, effective October 1, 2009 and amendments effective January 1, 2012 and the Council's internal written policies and procedures, for the following accounts and transactions during the year ended December 31, 2012:
 - a. Accounts 6380 and 6400 - Travel and Lodging, Meals and 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 audit, 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 8, 2013

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, 2012 - December 31, 2012:
 - a. We selected 20 transactions from general ledger account 6380 and 6400 – Travel, Lodging, Meals and Entertainment for testing. We also selected an additional 20 samples from the general ledger for a total of 40 samples.
 - 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 and Entertainment:**

Finding: We noted one instance in which an expense did not have sufficient support. A board member listed an expense on his travel reimbursement, but noted that he could not locate the receipt for the expense. He offered that the Council could remove the expense from the reimbursement due to the lack of support. However, the Council reimbursed the board member for the expense.

Recommendation: Per the CDFA *Accounting Guidelines and General Rules* page 39, all expense claims should be accompanied by the necessary documentation. We recommend the Council only reimburse travel expenses if there is supporting documentation accompanying the expense claim.

b. **Vehicle use and tax:**

Finding: 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:**

Finding: There were no financial transactions between related entities noted.

d. **Contracts:**

Finding: We noted that the Council does not have a bid requirement for goods or services in their Operations Manual.

Recommendation: Per the CDFA *Accounting Guidelines and General Rules* page 37, purchases of goods valued at over \$5,000 require a program to obtain at least three bids before selecting a vendor. The Council has internal controls specific to contracts. However, the Council does not include a written bidding process in their internal Operations Manual. We recommend the Council develop a written bidding process to ensure that goods or services valued over \$5,000 are obtained after receiving at least three bids.

2. Internal Control Findings and Recommendations:

a. **General ledger and bank reconciliation oversight:**

Finding: No findings noted.

b. **Safety of property:**

Finding: No findings noted.

c. **Cash receipts:**

Finding: No findings noted.

d. **Cash disbursements:**

Findings: We noted one instance in which the expense was not approved by the Executive Director.

Recommendations: We recommend the Executive Director approve all invoices.

e. **Documentation for travel, lodging, and meal expenses:**

See 1. a. Travel, Lodging, Meals and Entertainment

f. **Contracts:**

See 1. d. Contracts