

NORTH COUNTY LIBRARY AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED
JUNE 30, 2021

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NORTH COUNTY LIBRARY AUTHORITY

MEMORANDUM ON INTERNAL CONTROL

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Table of Contents

	<u>Page</u>
<i>Memorandum on Internal Control</i>	1
Schedule of Significant Deficiency	3

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MEMORANDUM ON INTERNAL CONTROL

To the Honorable Members of the Board of Directors
of the North County Library Authority
Los Altos, California

In planning and performing our audit of the basic financial statements of the North County Library Authority (Authority), as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitation of internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiency in internal control that we consider to be a significant deficiency.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency in internal control included on the Schedule of Significant Deficiencies to be a significant deficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Authority Board, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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Pleasant Hill, California
January 27, 2023

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MEMORANDUM ON INTERNAL CONTROLS

SCHEDULE OF SIGNIFICANT DEFICIENCY

2021-01 TIMELINESS FOR THE COMPLETION OF AUDIT

Criteria: Well-managed organizations should develop a plan to ensure that adequate resources will remain available in the event of employee departures and the potential impact of unexpected events. Part of that is ensuring there are resources available to be utilized on short notice to fill gaps in key positions, especially in the Finance Department. These resources need to be in place throughout the fiscal year to ensure accounting processes and procedures continue and allow time for the analysis of account balances and activities.

Condition: The Authority's basic financial statements for the year ended June 30, 2021, were not completed until January 27, 2023.

Cause: Due to staff turnover, financial system upgrade, and impacts from the pandemic, the Authority's financial supporting agency City of Los Altos' staff and the Authority were not able to coordinate and provide the required information for the Authority's audit in a timely manner.

Effect: As a result, there were significant delays in providing the required information for the audit, which increases the risk that errors or misstatements may go undetected and corrections may not be made in a timely manner. Audit effort was substantially increased due to the delay and coordination.

Recommendation: The Authority should analyze staff resources for backup plans to ensure that the financial data is processed properly and timely during staffing transitions and unexpected events.

Management's Response:

The Authority recognizes and agrees with the above findings and is actively working on increased staffing and support as well as a backup plan to ensure accurate and timely processing of financial data.

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