

**LASSEN COUNTY TRANSPORTATION COMMISSION
MANAGEMENT REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2009**

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Commissioners
Lassen County Transportation Commission
Susanville, California

In planning and performing our audit of the basic financial statements of Lassen County Transportation Commission for the fiscal year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of Lassen County Transportation Commission's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Lassen County Transportation Commission in implementing the recommendations.

This report is intended solely for the information and use of management of Lassen County Transportation Commission and others within the organization, and is not to be and should not be used by anyone other than these specified parties.

We thank Lassen County Transportation Commission's staff for its cooperation during our audit.



R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
February 26, 2010

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We have audited the basic financial statements of Lassen County Transportation Commission (the Commission) for the year ended June 30, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 17, 2009, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic 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.

As part of our audit, we considered the internal control of the Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

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 Commission are described in Note 2 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the basic financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the basic 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. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole. The most sensitive estimate(s) affecting the basic financial statements were:

- Capital asset lives and depreciation expense.
- Accrual and disclosure of compensated absences.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 26, 2010.

Management 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 Commission'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.

Other Audit Findings or Issues

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 Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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Current Year Observations

There were no current year observations.

Prior Year Observations

1) Accounting Procedures Manual

Observation:

During the course of our audit we noted Lassen County Transportation Commission (the Commission) does not have a written accounting procedures manual.

Recommendation:

We recommend the Commission establish written accounting and internal control procedures and communicate these procedures to the appropriate personnel.

Status:

This recommendation has not been implemented.

2) Fraud and Abuse Policy

Observation:

The American Institute for Certified Public Accountants established a new auditing standard for fraud and abuse in response to recent events regarding publicly held companies. All organizations, whether private or public sector, are required to establish policies regarding fraud and abuse.

Recommendation:

We recommend the Commission establish a written fraud and abuse policy to be communicated to all employees. The policy should also include a system for monitoring fraud and abuse.

Status:

This recommendation has not been implemented.

3) Management Oversight

Observation:

During the course of our audit it was noted that the Commission's Board members do not receive a monthly revenue and expense statement that compares with the Commission's budget and a balance sheet that ties to the statement of revenue and expenses.

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Recommendation:

We recommend the Commission provide the reports mentioned above to the Board members in order for them to properly oversee management and the related finances of the Commission.

Status:

This recommendation has not been implemented.