



**MACIAS GINI & O'CONNELL** LLP  
Certified Public Accountants & Management Consultants

NEWPORT BEACH  
1201 Dove Street, Suite 680  
Newport Beach, CA 92660  
949.221.0025

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

The Board of Directors of the  
California Avocado Commission

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

We have audited the basic financial statements of the California Avocado Commission (Commission) as of and for the year ended October 31, 2009 and have issued our report thereon dated January 21, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting 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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described below, that we consider to be a significant deficiency in internal control over financial reporting. See finding 2009-1. 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.

**Finding 2009-1            Cash Disbursements**

Comment

During the information gathering process, we noted subsequent to September 15, 2009, the Accounting Manager was established as an authorized signer on the Commission's bank accounts. We further noted that only one signature is required for checks equal to or less than \$1,000 and that the Accounting Manager maintains the blank check stock and is also responsible for preparing the bank reconciliation.

Recommendation

We recommend that blank check stock be maintained by an individual independent of the accounts payable and check writing process. We further recommend that this individual maintain a check log of checks issued to ensure that there are no gaps in the check sequence.

Management Response

The Commission has multiple effective cash disbursement policies and procedures to prevent check frauds and misappropriations. The Commission uses a positive pay system for its check clearing that requires the bank to match the check payees and amounts to the data the Commission sends to the bank. The Commission posts its monthly check registers on its website which is publicly available. The Commission's president reviews the bank reconciliations monthly. The Board also engages independent auditors to perform a surprise review of the Commission's cash and investments. The Commission has other dual control authorization and approval policies and procedures. The Commission also recently implemented a new procedure where a person independent of the accounts payable and check writing processes maintains the custody and log of the blank check stock.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's response to finding 2009-01 identified in our audit is described above. We did not audit the Commission's response and, accordingly, express no opinion on it.

We noted certain matters that we reported to management of the Commission in a separate letter dated January 21, 2010.

The Board of Directors of the  
California Avocado Commission  
Page 3

This report is intended solely for the information and use of the Board of Directors and management of the California Avocado Commission and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Fini & O'Connell LLP*

Certified Public Accountants  
Newport Beach, California

January 21, 2010