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**AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE
EFFICIENCY, INTERNAL CONTROLS AND/OR FINANCIAL REPORTING**

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To the Board of Commissioners
First 5 Kern
Children and Families Commission
Bakersfield, California

We have audited the basic financial statements of the First 5 Kern Children and Families Commission (the Commission) for the year ended June 30, 2008 and have issued our report thereon dated September 10, 2008. In planning and performing our audit of the financial statements of the Commission, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

As a result of our audit, we noted certain agreed-upon findings. These findings and recommendations, which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other efficiencies and are summarized as follows:

Current Year Findings & Recommendations

Agreed Upon Condition 1

First 5 Kern requires that contractors turn in audited reports to the Commission within 180 days after the contractors' year-end. We tested a sample of 5 contractors and noted 3 out of the 5 were not submitting audited financials within the 180 days requirement.

Recommendation

We recommend the Commission review their policies and procedures with regards to contractor reimbursements and enforce all contractors to submit audited financials within the 180 days requirement. A stipulation on the claims could be added that funding can end if they are not submitted timely.

Management Response

We concur with the finding. Some of our contractors cannot meet the 180-day requirement due to their own state and federal audit requirement deadline and audit scheduling issues. We are updating our Policy on Financial Audit Requirements for Projects Funded by the Commission (Administrative Bulletin No. 5) and Fiscal Reimbursement and Procedure Manual to contain clear and specific language regarding due dates and acceptable extensions.

Agreed Upon Condition 2

First 5 Kern's policy requires that all travel expenses be submitted with proper supporting documentation. We tested a sample of ten transactions. We noted one transaction did not have supporting documentation as a consequence we were unable to verify whether the expenditure was in compliance with the Commission's policy.

Recommendation

We recommend an individual responsible for processing travel expenses ensure all travel expenses be adequately supported.

Management Response

The noted travel transaction occurred during a staff transition time in July 2007, and new staff was hired approximately 2 months later. When the new staff person was being trained, we immediately evaluated claims processing, documentation issues, and filing procedures. Several process improvements were made immediately, and during subsequent months, additional improvements were identified and implemented. We feel we have adequate processes in place to prevent loss of supporting documentation relating to travel claims.

Status of Prior Year Findings & Recommendations

Agreed Upon Condition 1

The Executive Director authorizes the Commission's travel expenditures. However, the Board of Commissioners does not approve the Executive Director's travel expenses.

Recommendation

We recommend the Commission implement a policy whereby the Board of Commissioners has final approval for all travel expenditures to strengthen internal controls.

Management Response

The Executive Director is working with the Commission's Personnel Committee to develop a policy for approval of the Executive Director's travel expenses.

Current Year Status

Implemented.

This information is intended solely for the use of the Board of Commissioners and management of the Commission and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

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McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



By: Steven R. Starbuck