

CASEY L. WILLIAMS
cwilliams@donahue.com

March 27, 2018

VIA EMAIL ONLY

Eric Danly, Esq.
City Attorney, City of Petaluma
11 English Street
Petaluma, CA 94952

Re: Management Letter and Corrective and Preemptive Action taken by PASF Board

Dear Mr. Danly:

As the independent auditor Ms. Sue Goranson recently explained, her firm completed an independent audit of Petaluma Animal Services Foundation's ("PASF") financial records for the year ending on December 31, 2016, which concluded that PASF's financial statements fairly presented, in all material respect, the financial position of PASF in accordance with generally accepted accounting principles. PASF previously provided the City of Petaluma with a copy of that audit report.

In conjunction with that audit, Ms. Goranson's firm issued a confidential Management Letter to the PASF Board of Directors, dated September 19, 2017. A copy of that Management Letter is attached to the email transmitting this letter. You will see that the Management Letter included 13 recommendations to improve internal controls, enhance operations, and reduce expenses, which PASF has taken into thoughtful consideration. After doing so, PASF has taken steps to enact all of the Goranson Firm's thirteen recommendations.

Finding 2016-1	<p>PASF personnel files were audited and corrections were made to ensure that personnel files for existing employees are complete. Storage of personnel files was centralized and secured.</p> <p>A compensation and performance review for the Executive Director is being scheduled for the coming months, following the completion of pending internal investigations. Board policies and procedures are also being drafted by a Nonprofit Governance consultant - Marilyn Segal – retained by the Board. This will ensure that the review process is continued regularly by future boards and becomes a part of routine operations.</p>
Finding 2016 – 2	<p>After consulting with accounting professionals, stipend practices were discontinued and amended tax-returns and Form W2s were provided as needed. The board also has contracted with a new full- service payroll firm that will not only streamline the payroll process and filings but ensure ongoing tax compliance.</p>
Finding 2016-3	<p>PASF has instituted an automobile reimbursement procedure as part of an accounting practices and procedures manual. A copy of the manual is attached to the email transmitting this letter. The reimbursement procedures set to be adopted by the board in the coming days, start at page 8 of the manual.</p>
Finding 2016-4	<p>PASF is reviewing and updating its Employee Handbook, which will include an update to its vacation time policy that is in line with the general recommendations made by the Goranson firm. Once a copy of the draft handbook set to be finalized in the coming days is attached to the email transmitting this letter.</p>
Finding 2016-5	<p>An Independent Contractor File Checklist has been created to assist in maintaining contractor files, in accordance with the recommendations of the Goranson Firm. The checklist is included at page 18 of the Accounting Policies and Procedures manual.</p>
Finding 2016-6	<p>This practice occurred very rarely and only when absolutely required. For example, PASF held a fundraiser each year that required cash on hand to facilitate. Written policies for handling cash are included in the Accounting Policies and Procedures Manual at pages 7 and 11.</p>
Finding 2016-7	<p>PASF has discontinued all debit card uses and confiscated the cards from all employees. All of the Goranson Firm’s additional recommendations were adopted. Employees were issued fuel cards, vendor accounts were established to enhance expense tracking capacities, and a credit cards were opened, with signing authority limited solely to senior management and executive board members. These policies appear at pages 11 through 14 of the Accounting Policies and Procedures Manual.</p>

Finding 2016-8	PASF has adopted a travel reimbursement policy that is in line with Goranson Firm's recommendations. The travel reimbursement policy appears at pages 8 through 10 of the Accounting Policies and Procedures Manual.
Finding 2016-9	As noted above, and attached with this letter, an Accounting Policies and Procedures manual has been adopted by the Board.
Findings 2016-10	PASF is working with accounting professionals experienced with nonprofit accounting and is increasing its capitalization policy to \$2,500.
Findings 2016-11	PASF's accounting records have been centralized in one space with the assistance of its accountant.
Findings 2016-12	Tax returns are being filed on an accrual basis going forward.
Finding 2016-13	<p>PASF retained the services of Marilyn Segal, Esq. to conduct a review of PASF board governance structure and an extensive board training, which is scheduled for completion on April 17, 2018. Prior to conducting the training, the Board also added several new members to add new life to the Board and enhance the skills and expertise of its members.</p> <p>Ms. Segal, whose resume is attached, will engage in ongoing consultation with the Board to maximize its performance. Her consultation will include conducting interviews, reviewing appropriate PASF bylaws, policies and related documents, preparing materials that reflect best practices, and conducting the board training.</p> <p>Jeff Charter, the PASF Executive Director, has completed an online training course on employment discrimination and attended a seminar on labor law. He is also scheduled to attend an intensive four day training on Leadership, Management, and Strategy in June with CompassPoint, a premier provider of nonprofit leadership training in the Bay Area.</p>

As noted above, PASF is committed to improving its operations and is grateful to the Goranson firm for its candid recommendations.

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Page 4

Sincerely,

Casey L. Williams

CLW:CLW
Enclosures

cc: Katherine Wells at katw99@gmail.com; Matthew Carter at mcarter@centralanimalhosp.com; Sue Goranson at sue@goransoncpa.com