JEWISH FAMILY SERVICE AND AFFILIATES

Communications to Those Charged with Governance and Communication of Internal Control Related Matters

June 30, 2009

COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE

To the Management and the Audit Committee
Jewish Family Service and Affiliates

We have audited the consolidated financial statements of the Jewish Family Service and Affiliates (the "Agency") as of and for the year ended June 30, 2009, and have issued our report thereon dated November 18, 2009. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our engagement letter dated April 13, 2009, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with the audit committee's oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the audit committee or management of these responsibilities.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we considered the Agency's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope previously communicated to you in the engagement letter dated April 13, 2009.

The timing of the audit was later than planned due to the Agency's delay in the completion of reconciliation of certain key areas such as net assets and functional expense allocations and in the preparation of the financial statements.

SIGNIFICANT AUDIT ISSUES

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. The Agency adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, and No. 165, *Subsequent Events*, on July 1, 2008. Also effective in July 2008, the Agency adopted FSP 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*. There were no changes in the application of existing policies during fiscal year 2009. We noted no transactions entered into by the Agency 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 financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the 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. The sensitive estimates affecting the financial statements were:

- Depreciable lives of property and equipment
- Allowance for uncollectible receivables
- Present value calculations on pledge receivables
- Fair market value of investments

We evaluated the key factors and assumptions used to develop these estimates and have determined that they are reasonable in relation to the financial statements taken as a whole.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in working with management in performing and completing our audit. There was a delay in the performance of the audit engagement as previously noted.

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. No material misstatements, either individually or in the aggregate, were detected as a result of audit procedures.

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 auditor's 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 November 18, 2009.

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

COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

In planning and performing our audit of the financial statements of the Agency as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting ("internal control") 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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 significant deficiency is a deficiency, or 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. 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

We identified the following significant deficiency:

Pension Plan Participation - *Significant Deficiency 2009-1*

Observation: During our testing of accrued liabilities, the Agency communicated to us that certain eligible employees have been improperly excluded from the Agency's defined contribution pension plan and that the problem relates to prior fiscal years. The identified employees are primarily part-time workers, providing home care related services within the Agency. These employees had either been identified as eligible and had not returned the appropriate forms back to the Agency for proper enrollment into the plan and the Agency did not fund an account on their behalf, as required under applicable ERISA rules; or had not been detected as being eligible to participate in the plan after working the required number of hours. The lack of controls to ensure that all eligible employees are added to the plan at the appropriate time, based on the plan document, has resulted in a substantial number of employees improperly excluded from the plan.

Recommendation: The structure of the actual plan document is overly complex given the Agency's small HR department and the limited oversight in place. We recommend that management amend the plan description to simplify the eligibility requirements for the plan and permit entry into the plan only once per year (instead of on a rolling basis once an individual employee meets a certain hours worked threshold). We also recommend that management implement a review policy whereby designated personnel are responsible for adding plan participants and reviewing employee listings to confirm that all eligible employees have been added as plan participants.

Management's Response: The Agency performed an extensive research project to identify the potential current and past employees who may have been inappropriately excluded from the pension plan. Management believes the scope of the problem has been identified and has recorded an estimated obligation of $70,000 in FY09, which includes the cumulative employer contribution as well as an estimate for an investment return component. Individuals previously tasked with identifying employees within the home care services divisions are no longer with the Agency. Management is reviewing the current procedures used to track and identify when an employee becomes eligible for enrollment in the plan. In addition, the proper default investment accounts have been established within the plan to allow for contributions on behalf of participants who do not return the enrollment forms to the Agency.

Management intends to perform an extensive review of the pension plan document to determine methods to simplify the burden to identify the eligibility status of plan participants, as well as examine the overall pension benefit within the context of total employee compensation to compare the Agency's compensation strategies with industry practices and propose changes where necessary.

We also identified the following control deficiencies:

Investment Account Access - *Control Deficiency 2009-1*

Observation: During our confirmation procedures related to investments we did not receive a response to a confirmation letter sent to the Agency's external investment account designed to accept donor stock gifts. We requested that Jewish Family Service contact their account representative to encourage a confirmation response. The Agency was unable to obtain a verbal confirmation response with an account representative relating to their investment account because the Finance Director has not yet been added as a primary contact on the account and other senior management officials did not readily have the necessary user-specific verbal passwords available to them to access the information.

Recommendation: We recommend that the Agency meet with their account representative and re-establish which employees will have access rights to the account. We further recommend that a policy be put into place for updating this access list periodically so that as normal turn-over occurs within the Agency there are still personnel with appropriate access to the account.

Management's Response: Updating authorization information across the Agency's financial and other vendor relationships is an important control which should be performed at the point of transition for any Senior Management employee. Over the past several years, the Agency has experienced several transitions in the CFO position and not all of the financial accounts have been updated to reflect the latest change. The Agency does have on-line access to information within the investment account, and transactions are processed under the direction of the Finance Director (i.e. stock gift sales and distribution of funds to the Agency). Due to the large nature of the investment organization, standard verbal passwords are required to discuss information over the phone. Because the authorization information for the Finance Director has not yet been updated with this vendor, other Senior Management staff currently listed on the account were approached to resolve the confirmation response issue, but original password information was not readily available. Due to the timing of the issue, the Finance Director chose to ask if alternative procedures could be performed for purposes of testing the ending balance of this account as of June 30, 2009 (which is $0).

Management intends to perform an inventory of all remaining financial accounts which need to be updated to include the current Finance Director's authorization information and to remove account contact information for employees who are no longer with the Agency. Senior Management intends to review existing annual processes performed by the Agency (such as the update to the Board of Director's "Succession Tool Kit") to include a review of the active financial accounts, including identifying the current authorized individuals.

Access Rights to ADP Pay eXpert Application - *Control Deficiency 2009-2*

Observation: All user accounts are assigned the Super User role within the application. The Super User role allows its recipient the ability to create employee accounts, change pay rates, and run the payroll cycle. With all the users having this role assigned to them, they are given administrator-like privileges within the system, and thus results in excessive access rights given each of their roles and responsibilities.

Recommendation: We recommend that the Agency revisit the business reason for allowing all users to have the Super User role designation and where applicable, apply the principle of least privilege. That is, the user is only provided with the minimum amount of access rights needed in order to perform his or her job duties. With all users given the Super User role, there is the potential risk that false employee records could be created or existing pay rates could be modified unknowingly. By reducing the number of Super Users, the Agency will also be reducing the possibility of unintentional errors and opportunity for fraudulent activities.

Management's Response: The Agency has limited staff resources in our Finance and Human Resource departments (5 staff in total, excluding the 2 Directors). To provide context to the comment, currently, 6 of the total 7 individuals in both departments have Super User access levels.

Individuals are cross trained so that essential business processes go uninterrupted due to expected or unanticipated staff absences. Within ADP, employees who make changes are identified by employee number, which acts as a detective control and is a disincentive for abuse by the users. The HR Coordinator and the Director of Administration are primarily the persons responsible for making changes in employee records; however there are legitimate business reasons for allowing the same access level to the Payroll Accountant, including the supervisors of the Payroll Accountant, who are the Assistant Controller and the Director of Finance. This represents 5 of the 6 Super Users.

Management is carefully reviewing the finding related to the principle of least privileges and intends to reduce the number of Super Users to a more acceptable level and determine if more controls can be established in order to separate HR functions from Payroll functions.

Segregation of Duties in Financial Edge - *Control Deficiency 2009-3*

Observation: An inspection of the access rights provided to user accounts within Financial Edge indicated potential segregation of duties conflicts among accounting staff. Within the Agency database, all accounting staff, including a generic temporary account, have access rights to all the data in the system, including general ledger, account receivable, account payable and cash management modules. Given the Super User type of access provided to these individuals with their level of module access, there is the risk and potential for fraudulent activities to occur given that a Super User within the system could make fraudulent transactions (e.g., create fictitious vendor account to pay, create false employee payroll records, etc.).

Recommendation: The Agency should revisit the business reason for allowing these users to have such a high degree of Financial Edge module access and where applicable, apply the principle of least privilege. That is, the user is only provided with the minimum amount of access rights needed in order to perform his or her job duties. This approach will reduce the possibility of unintentional errors, as well as allow a smaller window of opportunity for fraud to occur.

Management's Response: The Agency has limited staff resources in our Finance departments (5 staff in total, including the Director). Individuals are cross trained so that essential business processes go uninterrupted due to expected or unanticipated staff absences. As a result, there are legitimate and necessary business reasons for staff to have access to all modules within the financial system. No individuals outside of the Finance department have user rights to Financial Edge, the primary financial system. The temporary account has been disabled, as the Agency is currently not using part-time temporary staffing.

There are detective controls in place to mitigate the potential fraudulent risks, for example, general journal entries are reviewed by the Assistant Controller and the Director, and monthly financial statements are reviewed against the monthly budget, by department. In addition, activity within the system is logged by user and can be retraced for audit purposes, if problems are discovered. Management does not believe this represents a significant financial risk to the Agency.

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The Agency's written responses to the significant deficiency and control deficiencies identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Moss Adams LLP

Seattle, Washington
November 18, 2009