

AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



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LARRY WALKER
Auditor-Controller/
Treasurer/Tax Collector

August 18, 2011

Gerry Newcombe, Deputy Executive Officer

Solid Waste Management Division
222 W. Hospitality Lane, 2nd Floor
San Bernardino, CA 92415-0017

**Subject: MANAGEMENT LETTER – SOLID WASTE MANAGEMENT DIVISION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

We have completed a review of the Solid Waste Management Division (SWMD) Enterprise Fund for the fiscal year ended June 30, 2010. We reviewed selected financial transactions, procedures, and controls. Our review was made in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. These standards require that we plan and perform the review to obtain sufficient, reliable, relevant and useful evidence to achieve the objectives.

Our consideration of internal control would not necessarily identify all deficiencies in internal control. However, we did identify a deficiency in internal control that we consider to be a material weakness. A material weakness is a significant deficiency resulting in a reasonable possibility that a material financial statement misstatement will not be prevented or detected and corrected on a timely basis.

Accounts Receivable Miscalculation

The accrual basis of accounting should be used by this Division, in accordance with Generally Accepted Accounting Principles (GAAP). Under this basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Preparing accurate year-end accruals ensures that revenues and expenses are recorded in the correct year. It also provides more accurate and reliable financial information that is used in the decision making process over the Division's operations. During our audit, we noted a formula error on the accounts receivable summary that resulted in an audit adjustment decreasing the accounts receivable and increasing the related revenue by approximately \$35,000. The Division did not conduct a review of the accounts receivable summary that could have detected the formula error. Not properly accounting for necessary year-end accruals can potentially have a material effect on the financial statements.

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Recommendation:

We recommend that efforts be made to improve the process of calculating the accounts receivable summary at year-end. We also recommend that the accounts receivable summary be reviewed in detail by another staff person not directly responsible for calculation of the accounts receivable before the accruals are processed.

Thank you very much for the cooperation extended by your staff during the course of this review.

Respectfully submitted,

Larry Walker
Auditor-Controller/Treasurer/Tax Collector

By: _____
Mark Cousineau, CPA, CIA, CGAP, CITP
Chief Deputy Auditor

Quarterly copies to:

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Board of Supervisors
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Date Report Distributed: 8-18-11

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cc: Granville M. Bowman, Director, Department of Public Works