

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

162



SUBMITTAL DATE:
February 24, 2011

FROM: Auditor-Controller

SUBJECT: Management Letter for Fiscal Year 2010-11

RECOMMENDED MOTION:

That the Board of Supervisors receive and file the attached Management Letter for the year ended June 30, 2010, rendered by Brown Armstrong Accountancy Corporation.

BACKGROUND:

The Management Letter is submitted in accordance with Section 25253 of the Government Code of the State of California and follows the Comprehensive Annual Financial Report (CAFR). The Management Letter provides recommendations with the intent to improve internal controls and operational efficiencies. These recommendations are summarized in the comments section of the Management Letter. The County is in the process implementing those recommendations.

Paul Angulo
Paul Angulo, CPA
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	-0-	In Current Year Budget:	No
	Current F.Y. Net County Cost:	-0-	Budget Adjustment:	No
	Annual Net County Cost:	-0-	For Fiscal Year:	

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY: *Karen L. Johnson*
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Ashley and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Buster, Stone, Benoit and Ashley
Nays: None
Absent: Tavaglione
Date: March 15, 2011
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

MAR 15 2011 15:01

Dept't Recomm.: Policy
Per Exec. Ofc.: Policy
 Consent
 Consent

Prev. Agn. Ref.:

District: ALL

Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

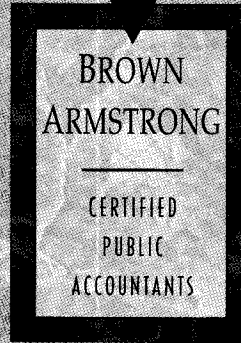
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**COUNTY OF RIVERSIDE,
CALIFORNIA**

MANAGEMENT LETTER

JUNE 30, 2010

Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Andrew J. Paulden, CPA
Steven R. Starbuck, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, CPA, MBA
Richard L. Halle, CPA, MST
Aileen K. Keeter, CPA



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Tel: 559-476-3592 Fax: 559-476-3593

December 1, 2010

To the Honorable Board of Supervisors
4080 Lemon Street
Riverside, California 92502

Honorable Board of Supervisors:

We have audited the basic financial statements of the County of Riverside (the County) for the year ended June 30, 2010 and have issued our report thereon dated December 1, 2010. In planning and performing our audit of the financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized on the accompanying pages.

A separate management letter was issued for the Riverside County Regional Medical Center.

CURRENT YEAR SIGNIFICANT DEFICIENCIES

CAPITAL ASSETS

CONTROL DEFICIENCY:

While the County maintains formalized year-end procedures to ensure that County departments submit information for financial reporting purposes, the following was noted:

- Queries from the Asset Management (AM) module of PeopleSoft are exported and compiled on numerous nVision spreadsheets in order to summarize information for financial reporting purposes and to validate depreciation expense and accumulated depreciation values generated by the AM module.
- Discrepancies between certain departmental internal calculation of accumulated depreciation and the AM module's automated calculation were noted.

RECOMMENDATION:

We recommend that the County strengthen its year-end procedures for capital assets reporting.

- The County should examine the cost/benefit of establishing system generated capital assets reports that summarize data for the financial statements. Such reports would include the roll-forward of capital assets activity by department and/or fund, thereby, eliminating the need to compile this information in nVision spreadsheets.
- The Departments and Auditor-Controller's office should reconcile and correct accumulated depreciation variances prior to year-end.

MANAGEMENT'S RESPONSE:

The OASIS Team is working with the Auditor Controller's Office to identify issues associated with the County's new Asset Management roll-forward report. Once the issues are identified, the ACO will work with various County departments to make the necessary corrections so that the roll-forward report is functional.

DEPOSIT BASED FEE

CONTROL DEFICIENCY:

While the County maintains formalized year-end procedures to ensure that general ledger balances are materially correct, it was noted during testing that the Deposit Based Fee Module is not adequately reconciled to actual receivables, deposits on hand, and refunds due and payable to customers.

RECOMMENDATION:

We recommend that the general ledger balances be reconciled against actual receivables, deposits on hand, and refunds due and payable to customers in the Deposit Based Fee Module.

MANAGEMENT'S RESPONSE:

Transportation and Land Management Agency (TLMA) and Oasis Team are working together to resolve this finding. Deposit Based Fee (DBF) is a custom, customer service oriented, People-Soft module that collects development cash deposits directly in a customer deposit liability account; hence there should be no current receivables posting. To ensure timely discovery and resolution of system issues with the DBF module, Oasis and TLMA are working to monitor processes and set traces on system generated postings. TLMA staff is monitoring general ledger accounts receivable balances before and after batch processing. The problem is intermittent and does not affect all records processed.

PRIOR YEAR MANAGEMENT LETTER FINDINGS

CAPITAL ASSETS

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- The Departments and ACO-Specialized Accounting Division should reconcile and correct accumulated depreciation variances prior to year-end.

MANAGEMENT'S RESPONSE:

The OASIS Team, in conjunction with the Auditor Controller's office, has developed and is currently testing a PeopleSoft system generated report that displays the Net Book value of individual capital assets by department. We are also developing a PeopleSoft generated report for the roll-forward value of Capital Assets by department. The estimated date of completion is the end of April 2010.

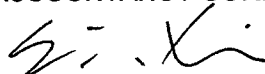
CURRENT YEAR STATUS:

See current year finding.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County of Riverside gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time. This report is intended solely for the information and use of the Board of Supervisors, management, and others within the County and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
December 1, 2010