

WESTERN FINGER LAKES
SOLID WASTE MANAGEMENT AUTHORITY
COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT

For Year Ended December 31, 2009

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
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Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

March 31, 2010

To the Board Members
Western Finger Lakes
Solid Waste Management Authority, New York

In planning and performing our audit of the financial statements of the Western Finger Lakes Solid Waste Management Authority as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Western Finger Lakes Solid Waste Management Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 in the first paragraph 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.

Prior Year Deficiencies Pending Corrective Action:

Budgeting –

As indicated in the basic financial statements, actual expenditures exceeded the revised budget for three expense categories of the governmental funds.

Authority's Response

Actual expenditures exceeded the revised budget in large part due to the protracted collapse of the recycling market. The Authority submitted a budget request, which was approved by Wayne and Yates Counties prior to the collapse in the markets. As a result, the Authority had to reduce operating costs and deliver services without incurring new charges to the participating counties. This also required the Authority to tap into its reserve accounts to maintain operations. The original budget did not call for expenditures from the reserve account, however, poor market conditions resulted in the need to draw repeatedly from this account.

(Prior Year Deficiencies Pending Corrective Action) (Continued)

Cash Balances –

At year end, the Authority had a consolidated cash balance of \$81,719 which is a \$201,725 decrease from the prior year. We recommend continued scrutiny of monthly financial reports especially in light of the fact that the Wayne County IPC, Wayne County Curbside, Wayne Household Waste and Wayne County Composting Funds have deficit fund balances and owe the governmental fund \$522,145 at year end. In addition, the Yates County Operating Fund had a deficit year end fund balance of \$6,436.

Authority's Response

During the latter part of 2008 and the first half of 2009, the markets for recyclable materials reflected the national and international economic recession. Markets for recycling nearly collapsed. Revenues from the sale of recycling decreased substantially, forcing the Authority to deplete its cash reserves for operational costs. Although markets are slowly improving, the Authority will continue close scrutiny of expenditures and revenues to insure that further cash depletions do not occur.

Bidding –

As part of our examination, we reviewed various transactions involving multiple purchases from a vendor. During this review, we noted one instance which exceeded the bid threshold and did not appear to be competitively bid in accordance with the Authority's procurement policy.

Authority's Response

The Authority will review its purchase of bulk oil to determine if a bid for this service is appropriate. If other vendors provide this service in the area, the Authority will seek bids for the delivery of bulk oil.

Internal Controls –

New auditing standards have changed the definitions and provided clarification as to the types of internal control findings reported by auditors. For this organization, as well as many other small organizations, it is not practical to develop maximum internal controls over their financial transactions due to limited staff.

As you are aware, the same individual posts transactions to the general ledger, records receipts, prepares bank reconciliations, and processes payments. As a result, the Authority has developed certain mitigating controls, however, when the same individual performs these functions an internal control weakness is present. We suggest the internal accounting controls be continually evaluated in an effort to provide the maximum mitigating controls.

Authority's Response

The Authority has a small office staff, making it difficult to delegate transactions. All bank reconciliations are reviewed and signed by the Administrator. An update to the accounting program includes internal controls prohibiting any changes to either the payable control account or the receivable control account once checks are written. The update also includes an automatic balance system that imbeds an account number into each transaction. Nothing can ever be permanently deleted from the system, including voided checks.

(Prior Year Deficiencies Pending Corrective Action) (Continued)

New Auditing Standards –

Auditing standards have always required management to maintain an understanding of their internal accounting controls. As a result of recent changes, auditing standards now require management to complete and document a written self assessment of their internal controls. During the course of our examination we noted that job descriptions are now being documented, however, the written self assessment has not been completed in its entirety.

Authority's Response

The Administrator will complete the required written self assessment of internal controls and will seek technical assistance for same from the financial consultant.

Contingency/Disaster Recovery Planning –

The Authority has begun storing computer back-ups at an offsite location, however, the Authority has not actually tested the recovery of information to ensure recovery will be successful. In addition, the Authority should develop this plan in writing in order to better document the specific procedures.

Authority's Response

The Authority backs up information daily through the Wayne County Information Technology Department. At the close of business each day, this information is then removed to an external storage site. The Administrator will consult with the Wayne County IT Department with regard to contingency/disaster planning and arrange for a test to insure the system currently in place provides for the full recovery of information. Once the test is completed, the Administrator will document the process in a written recovery procedures plan.

General Ledger Control

As part of our audit we proposed journal entries which were accepted and posted by the Authority.

We recommend every effort be made to ensure all required journal entries are recorded by the Authority prior to commencing the audit process.

Authority's Response

The Authority will review the general ledger with its third party financial consultant to insure that all journal entries have been completed prior to the commencement of the audit process.

Prior Year Recommendation:

We are pleased to report that the following prior year recommendation has been implemented to our satisfaction:

1. The Authority has implemented a new accounting and reporting system for 2010. In addition, there was an independent review of the edit reports taken place on a more consistent basis.

The Authority's written responses to the deficiencies identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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We wish to express our appreciation to all Authority personnel for the courtesies extended to us during the course of our examination.

March 31, 2010

