



**Washington State Auditor
Brian Sonntag**

November 2, 2011

County Council and Elected Officials
Whatcom County
Bellingham, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of Whatcom County from January 1, 2010 through December 31, 2010. We believe our recommendations will assist you in improving the County's internal controls.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to County officials and personnel. If you have any further questions, please contact Sadie Armijo at (360) 676-2165 ext. 100.

We would also like to take this opportunity to extend our appreciation to your staff for the cooperation and assistance given during the course of the audit.

Sincerely,

Sadie Armijo, Audit Manager

Attachment

Management Letter
Whatcom County
January 1, 2010 through December 31, 2010

Open Public Meetings Act

We identified three occasions in which County Council Members sent email to the full Council. On two of the occasions, a Council member responded back to full Council. Email exchanged among Council members discussing business with a quorum present meets the definition of “action” of the governing body under the Open Public Meetings Act, (RCW 42.30) which requires such meetings to be open to the public.

The County is establishing a policy concerning Council Members’ e-mails. We recommend the County adopt a policy and ensure compliance with the Open Public Meetings Act.

Safeguarding of Assets

We reviewed the County’s policies and procedures for tracking and monitoring capital assets and small and attractive assets. The policy defines capital assets as assets with an acquisition cost greater than or equal to \$5,000 with a useful life of at least two years. Small and attractive assets such as laptop computers and video cameras require the same useful life and are at a cost between \$250 and \$5,000 (excluding software). The asset custodian has discretion over how assets below the cost of \$250 are tracked. The County reported total capital assets, net of depreciation at \$174,749,879 for fiscal year 2010. These assets consisted of land, buildings, improvements, roads and bridges and equipment. We determined the County:

- Has not been conducting an annual inventory of all capital assets as required by the Budgeting, Accounting and Reporting System (BARS) manual for entities reporting in conformity with generally accepted accounting principles (GAAP).
- Is unable to provide evidence of a complete inventory of capital assets or small and attractive assets.
- Does not have adequate policies and procedures to ensure all capital assets are inventoried. Assets such as land, buildings, roads and bridges are not included in a physical inventory count. In addition, the policy is unclear on the frequency of asset counts.

Without performing a complete asset inventory and reconciling it to the financial system, the County cannot ensure it is properly reporting capital assets on its financial statements and tracking items susceptible to loss appropriately. We recommend the County revise policies and procedures to ensure compliance with the BARS manual and ensure all assets are adequately tracked, monitored and safeguarded.