



Examination No. 46043

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
WHATCOM COUNTY, WASHINGTON

Fourth Examination

January 1, 1976 thru December 31, 1978

RECEIVED

SEP

REPORT OF EXAMINATION
DIVISION OF MUNICIPAL CORPORATIONS

Robert V. Graham
State Auditor

ROBERT V. GRAHAM
STATE AUDITOR



WILLIAM L. LAVAGNINO
ASSISTANT STATE AUDITOR

The State of Washington

OFFICE OF STATE AUDITOR
LEGISLATIVE BUILDING AS-21
OLYMPIA, WASHINGTON 98504
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Notice of Filing and Transmittal
September 5, 1980

Notice is hereby given that the attached document is the official post audit examination report of the Whatcom County Council of Governments, Whatcom County, Washington for the period January 1, 1976 through December 31, 1978.

The report was prepared and transmitted for filing by the State Auditor's Division of Municipal Corporations pursuant to RCW 43.09.260.

A handwritten signature in cursive script that reads "Robert V. Graham".

ROBERT V. GRAHAM
STATE AUDITOR

Copies transmitted to:

Mayor Jim Van Andel, Chairman of the Board
Elaine Ramel, Director
David S. McEachran, County Prosecuting Attorney
Economic Development Administration
Honorable Slade Gorton, Attorney General
Office of State Auditor

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WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Fourth Examination
January 1, 1976 thru December 31, 1978

SCOPE

We have examined the Balance Sheet of the Council of Governments, Whatcom County, Washington, as of December 31, 1976, December 31, 1977 and December 31, 1978, and the related Statement of Revenues, Expenditures and Other Changes in Fund Balance for the years then ended. We have also evaluated compliance with applicable laws and regulations in accordance with statutory requirements as codified in RCW 43.09.260 for the same period. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination included a review of Economic Development Administration Technical Assistance Grant No. 07-06-01822 as shown in Addendum A of this report.

CONCLUSION

Our examination indicated general compliance with legal requirements. In our opinion the accompanying financial statements present fairly the financial condition of the Council of Governments, Whatcom County, Washington at December 31, 1976, December 31, 1977 and December 31, 1978 and the results of operations for the periods then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding periods.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS

Balance Sheet

As of December 31, 1976, 1977 1978

Exhibit A

<u>General Fund</u>	<u>12/31/78</u>	<u>12/31/77</u>	<u>12/31/76</u>
Assets and Other Debts:			
Cash	\$13,442.79	\$41,504.60	\$10,584.73
Investments	-0-	-0-	9,798.27
Assessments Receivable	-0-	100.00	-0-
Less: Uncollected Assessmts.	-0-	(100.00)	-0-
	<hr/>	<hr/>	<hr/>
Total Assets	<u>13,442.79</u>	<u>41,504.60</u>	<u>20,383.00</u>
Liabilities and Fund Balance:			
Warrants Payable	3,553.21	8,594.72	2,560.46
Fund Balance	9,889.58	32,909.88	17,822.54
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$13,442.79</u>	<u>\$41,504.60</u>	<u>\$20,383.00</u>

This statement has been prepared by the examiner from county and council records and is not the official financial statement of the entity.

The accompanying comments are an integral part of this statements.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenditures and
Other Changes in Fund Balance

Exhibit B

<u>General Fund</u>	For the Fiscal Years Ended		
	12/31/78	12/31/77	12/31/76
Beginning Fund Balance	\$32,909.88	\$17,822.54	\$41,990.43
Increases:			
Revenue			
Intergovernmental Revenue	59,880.50	89,709.00	527.00
Charges for Services	271.98	14.00	13.24
Miscellaneous Revenue	-0-	191.64	2,299.68
District Deposits	140.00	75.00	-0-
Total Revenues	60,292.48	89,989.64	2,839.92
Other Increases:			
Refunds Received - Previously Charges to Expenditures (Prior Years)	-0-	6,272.71	-0-
Cancelled Expenditure Warrants (Prior Years)	11.07	-0-	-0-
Total Increases	60,303.55	96,262.35	2,839.92
Decreases:			
Expenditures	83,323.85	81,175.01	27,007.81
Total Decreases	83,323.85	81,175.01	27,007.81
Ending Fund Balance	\$ 9,889.58	\$32,909.88	\$17,822.54

This statement has been prepared by the examiner from county and council records and is not the official financial statement of the entity.

The accompanying comments are an integral part of this statement.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
AUDITOR'S NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 1976, 1977, 1978

The accompanying notes to financial statements are an integral part of the enclosed financial statements.

NOTE 1 - ACCOUNTING POLICIES

Budgeting, Accounting and Reporting System for cities and counties as prescribed by the State Auditor's Office is the basis for the Council of Governments accounting policies. The modified accrual basis of accounting is used for the fund, modified accrual recognizes revenues when received in cash and recognizes expenditures at the time liabilities are incurred. Revenues are estimated on the basis of expected cash collections. Expenditures are budgeted based on liabilities expected to be incurred in the acquisition of goods and services.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Economic Development Administration
Technical Assistance Grant No. 07-06-01822
February 15, 1977 thru August 15, 1978

Addendum A

BACKGROUND

This report is to present the results of our final audit of the Whatcom County Council of Governments as required by the U. S. Department of Commerce, Economic Development Administration (EDA), Office of Technical Assistance (TA) for T.A. Grant No. 07-06-01822. This grant is for the preparation of a study to assess the Canadian economic impact on Whatcom County, Washington. This grant provides for reimbursement of 75 percent of the eligible costs incurred. Total eligible costs are estimated at \$100,000.00.

The study involved the assessment of the Canadian economic impact in three areas as follows:

1. Impact in Whatcom County as a whole
2. Impact in the City of Blaine
3. Impact in the City of Bellingham

The Whatcom County Council of Governments contracted directly with consultants for both the general county and City of Blaine areas of study. Through a memorandum agreement dated August 9, 1977, the Council of Governments delegated contracting authority to the City of Bellingham for obtaining consultants for the City of Bellingham area of study. In a letter dated December 9, 1977, EDA expressed concern over the methods used by the City of Bellingham in choosing consultants. A subsequent letter dated December 21, 1977 reinforced the requirement that the Council of Governments negotiate directly with the consultants chosen. We could not find evidence that this was done.

The grant was administered by the Director of Whatcom County Council of Governments and accounted for in the council's General Fund. Our review of the accounting system in use by the grantee disclosed that adequate accounting records were not maintained. However, due to the small activity of the grant, we were able to evaluate compliance with grant terms and objectives directly from source documents.

The objectives of our examination were to (i) review, test and report upon the costs incurred under the grant, and (ii) review, test and report on compliance with grant terms, conditions and EDA requirements.

Accordingly, we have performed an examination of the costs incurred by the grantee and reviewed its method of complying with the technical assistance grant requirements for the period from February 15, 1977 through August 15, 1978. Our work did not constitute an audit of financial statements prepared by the organization other than the statement of project costs claimed from February 15, 1977 through August 15, 1978 (Schedule 1), and the status of grant fund payments as of August 15, 1978 (Schedule 2).

Details concerning the scope of audit and the results of audit are presented in the referenced attachments.

Financial Activities

Accountant's Report

Schedule 1 Statement of project costs claimed from February 15, 1977 through August 15, 1978 and comparison of accepted project costs with estimated project costs.

Schedule 2 Statement of status of grant fund payments as of August 15, 1978.

Compliance with grant terms and conditions and other EDA technical assistance requirements.

This addendum is intended for use in connection with the grant to which it refers and should not be used for any other purpose.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Economic Development Administration
Technical Assistance Grant No. 07-06-01822
February 15, 1977 thru August 15, 1978

Addendum A

FINANCIAL ACTIVITIES

A. Objective And Scope

We have examined the Whatcom County Council of Government's Statements of Project Costs Claimed and Status of Grant Fund Payments as of and for the period ended August 15, 1978, and tested financial transactions, accounts, reports and related supporting documentation. Our examination was made in accordance with generally accepted auditing standards and the standards for audit of financial transactions, accounts and reports, as set forth in the auditing standards for governmental activities published by the Comptroller General of the United States and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

B. Audit Results

The aforementioned statements of project costs set forth \$51,500.01 of auditor-questioned costs. The final determination as to whether such costs are allowable under the terms of the grant agreement will be made by EDA.

In our opinion, subject to the ultimate disposition of questioned costs, the accompanying statements of grant costs present fairly the budgeted costs, costs claimed, costs questioned and the status of grant funds for grant No. 07-06-01822 as of August 15, 1978, in conformity with generally accepted accounting principles and the general and specific conditions of the grant agreement.

WHEATCOM COUNTY COUNCIL OF GOVERNMENTS

EDA Technical Assistance Grant No. 07-06-01822

Statement of Project Costs Claimed From February 15, 1977
Through August 15, 1978 and Comparison of Accepted Project
Costs With Estimated Project Costs

Addendum A
Schedule I

Cost Classification	Costs Claimed For ED 325		Audit Recommendations		Cost Estimates Per Grant	Overrun (Underrun)	Reference Notes
	(Note A)		Questioned Costs	Accepted Costs			
Personnel	\$ 8,000.00	\$ 8,000.00	\$ -0-	\$ -0-	\$ 8,000.00	\$ (8,000.00)	1
Consultant and Contract Services	91,500.00	43,500.01	47,999.99	47,999.99	91,500.00	(43,500.01)	2
Final Audit (Note C)	-0-	-0-	500.00	500.00	500.00	500.00	
Totals for Project	\$99,500.00	\$51,500.01	\$48,499.99	\$48,499.99	\$100,000.00	\$ (51,500.01)	

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
 EDA Technical Assistance Grant No. 07-06-01822
 Statement of Status of Grant Fund Payments
 As of August 15, 1978

Addendum A
Schedule 2

Total Authorized Costs Per Grant Budget		<u>\$100,000.00</u>
Project Costs (Per ED-325)		99,500.00
Add: Audit Cost Accepted Not Claimed		500.00
Less: Questioned Costs		<u>(51,500.01)</u>
Total Acceptable Project Costs		<u>\$ 48,499.99</u>
Amount of EDA-TA Grant Payable 75 Percent of Above Acceptable Costs		\$ 36,374.99
Less Payments Made:		
Total Grant Authorized	\$75,000.00	
Less: Grant Payments Received By Whatcom County Council of Govt's.	<u>45,000.00</u>	<u>45,000.00</u>
Available Balance: Authorized Grant	<u>\$30,000.00</u>	
Project Balance At August 15, 1978 Due to EDA (Note D)		<u>\$ (8,625.01)</u>

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Economic Development Administration
Technical Assistance Grant No. 07-06-01822
February 15, 1977 thru August 15, 1978

Addendum A

NOTES TO FINANCIAL STATEMENTS

- A. Financial statement presentation and summary of significant accounting policies:
1. The financial statements presented are prepared from only the accounts and financial transactions of the technical assistance project No. 07-06-01822 of the Whatcom County Council of Governments. Accordingly, they do not present the financial position or the results of operations of the Whatcom County Council of Governments.
 2. The financial transactions of the project are recorded in accordance with the terms and conditions of the grant, which are not inconsistent with generally accepted accounting principles.
 3. Expenditures are recorded on the modified accrual basis of accounting.
- B. A request for revision of budget line items was approved by EDA on March 9, 1977. The figures shown are after this revision.
- C. Audit costs accepted are based on audit costs, not billed or paid as of August 15, 1978.
- D. On December 11, 1978, the grantee received an additional grant payment of \$25,000.00. The project balance at December 31, 1978 consists of:

Amount due to EDA at August 15, 1978	\$ 8,625.01
Additional grant payment, December 31, 1978	<u>25,000.00</u>
Amount due to EDA at December 31, 1978	<u>\$33,625.01</u>

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Economic Development Administration
Technical Assistance Grant No. 07-06-01822
February 15, 1977 thru August 15, 1978

Addendum A

REFERENCE NOTES

1. We are questioning \$8,000.00 of personnel costs relating to a portion of the director's salary. We noted that per the grant, no in-kind grantee costs were allowed. Furthermore, the portion of the director's salary claimed could not be supported by grantee time records as required by FMC 74-4, Attachment B, Section 10(b), which reads:

"b. Payroll and distribution of time. Amounts charged to grant programs for personal services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and approved in accordance with generally accepted practice of the State or local agency. Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort."

Grantee response:

COG believed director's salary to be a cash contribution, but concurs with the lack of supporting documentation.

2. Consultant and contract services questioned costs consist of \$44,000.00 in billings by City of Bellingham less \$499.99 of unclaimed costs incurred. Net questioned cost equals \$43,500.01.

The City of Bellingham had negotiated contracts with four consultants for its comprehensive plan which included a study of the Canadian economic impact on Bellingham's central business district. The payment by the Council of Governments to Bellingham was to reimburse the city for the portion of its consultant's fees corresponding to this study. In a letter dated December 21, 1977 to the Whatcom County Council of Governments, EDA expressed concern over the negotiation of these contracts. The letter reads in part:

"Also, it should be noted that the EDA/Grantee is the Whatcom County Council of Governments and not the City of Bellingham. Therefore, all contracts must be negotiated between the Whatcom County Council of Governments and the firms chosen to carry out the aspects of the grant in the City of Bellingham."

Our review of the consulting contracts involved, revealed the following facts:

1. The contracts were between the City of Bellingham and the consultant and dealt with work on the city's comprehensive plan which incidently included a study of Canadian impact.
2. Nowhere in the contracts is the Whatcom County Council of Governments specifically mentioned as a party to the contracts.
3. The printed date of the contracts was November 3, 1977. This was then altered (without initialing) to December 30, 1977. The original date was prior to EDA's letter. The altered date subsequent to the letter.
4. The signature of the Director of the Council of Governments appears to have been added subsequent to the original signing.

These facts indicate that, although the Council of Governments may have approved these contracts, they did not participate in the negotiation process. We are therefore questioning the payment made to the City of Bellingham for these contracts.

Grantee Response:

Grantee feels that the terms of the contract as required by EDA were met in that:

1. The City of Bellingham is a member of the Council of Governments (COG).
2. A memorandum agreement was signed between the city and COG.
3. COG did approve of the consultants selected.
4. COG felt that the City of Bellingham was better qualified to negotiate price as they were more directly involved with the area of concern.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Economic Development Administration
Technical Assistance Grant No. 07-06-01822
February 15, 1977 thru August 15, 1978

Addendum A

COMPLIANCE WITH GRANT TERMS AND OTHER EDA REQUIREMENTS

A. Scope

We have reviewed the terms and conditions of the grant and have performed such tests of the organization's operations and records to determine compliance with EDA requirements as deemed necessary in the circumstances.

B. Audit Results

Our audit revealed the following areas of non-compliance with the general terms and conditions of the grant:

1. Adequate financial records were not maintained as required by item 7 of the general terms and conditions. Due to the small size of the grant, however, we were able to evaluate compliance with grant terms and objectives directly from source documents.
2. The council did not appear to follow proper procurement procedures as outlined in item 5 of the general terms and conditions with respect to the City of Bellingham contracts. As a result, we are questioning these costs.

C. Conclusion

In our opinion, except as noted in paragraph B, the council complied with the standard terms and conditions of the Economic Development Administration Technical Assistance Grant Program.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
DIRECTORY OF OFFICIALS

Addendum B

Executive Board

Chairman	Jim Van Andel	Mayor, Lynden
Vice-Chairman	John Louws	County Executive, Whatcom County
Secretary-Treasurer	Ken Hertz	Mayor, Bellingham
Member	Cecil Barr	Mayor, Ferndale
Member	Haines Fay	City Council, Bellingham

Voting Members

Clint McBeath	Mayor, Everson
Robert Mitchell	Mayor, Sumas
Robert Muenscher	Council Member, Whatcom County
Aros Pine	Mayor, Blaine
Lawrence Tjoelker	Conservation District
Tom Jones	Mayor, Nooksack
Shirley Van Zanten	Council Chairperson, Whatcom County
Scott Wicklund	City Council, Bellingham
Hugh Wilson	Marketing Manager, Port of Bellingham

Associate Members

Curt Bradford

Leo Davenhauer,

Sudden Valley
Community Association

Donald Keenan

Director, Whatcom
County Opportunity Council

Mailing Address

Director

Elaine Ramel
1111 West Holly, Suite B
Bellingham, Washington 98225



WHATCOM COUNTY COUNCIL OF GOVERNMENTS

1111 west holly, suite b • bellingham, wa 98225 • 206-676-6974

August 28, 1980

Robert V. Graham, State Auditor
Office of the State Auditor
Legislative Bldg. AS-21
Olympia, WA 98504

Attn: Richard L. Husk

Dear Sir:

In reference to audit report number 46043, for the Whatcom County Council of Governments for 1976-78, the following comments are offered for your consideration:

1. Regarding Reference Note 1 of Addendum A, page 11, personnel costs, that is salaries and fringe benefits, have been considered cash match on all Federal grants with which I have been associated. In Attachment F of Circular #A-102, published in the Federal Register, Vol. 42, #176, September 12, 1977, paragraph 2(c), cash contribution is defined as "...grantee's cash outlay, including the outlay of money contributed to the grantee by other public agencies and institutions...". The EDA grant of \$75,000 was matched \$25,000 in local cash, which was contributed by the Cities of Bellingham and Blaine, Whatcom County and the Council of Governments, all of which are public agencies. \$8,000 of this money went toward the personnel costs of a person to oversee the grant and accounted for approximately 39 percent of such personnel costs.

The job description of the person hired outlined three areas of responsibility: 1) overseeing the EDA grant; 2) completing an already started Overall Economic Development Plan, which work was directly related to the EDA grant projects; and, 3) overseeing completion of a Housing Assistance Plan, which work had been given to a consultant previous to the hiring of COG staff. COG staff, hired for the EDA grant, needed only to administer that consultant contract.

Therefore, at a very minimum, the staff person hired was committed to approximately 75 percent time on the EDA grant administration and related activities. Unfortunately, time distribution records were not kept during this period and would be difficult, if not impossible to reconstruct. The COG office had been disbanded for over a year prior to receiving the EDA grant and there were, at that time, no procedures for time accounting beyond that required by the County Auditor's Office, through which the COG maintains its accounting. The Auditor's Office does not use, even now, a project accounting system.

August 28, 1980

Since that time, office procedures have been instituted in COG, which require monthly time sheets indicating time spent on individual projects. As well, separate monthly records are kept on all costs, both direct and in-direct, relating to grants in-house.

2. Regarding Reference Note 2 of Addendum A, page 11 and 12:

Item 1: A portion of the City's Comprehensive Plan was a Downtown Plan for Bellingham. The EDA grant specifically included in its scope of work an "assessment of the existing economic climate affecting the Central Business District" and "recommendations for City and business community actions to best utilize and enhance the economic climate in the Central Business District...". The product of Bellingham's portion of the EDA grant was used, quite efficiently, as a plan for Downtown Bellingham. All work and all documentation on the EDA granted portion were kept separate from other aspects of the Comprehensive Planning effort of the City.

EDA was aware throughout the conduct of the study that Bellingham's portion of the grant was intended for this purpose.

Item 2: Whatcom County Council of Governments was a signator on Bellingham's consultant contracts. EDA's requirement was that COG be involved in contract negotiations and that the product of the work meet the scope of services outlined in the EDA grant. There was no requirement for COG to administer directly the consultant work being accomplished for the City.

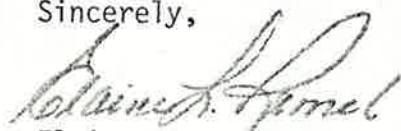
Items 3 and 4: This was indeed the case, with only one correction. The signature added was that of Dennis Braddock, Chairman of COG and Bellingham City Councilman, who had been involved with the City in its consultant selection and contract negotiations. EDA required COG involvement in the contract negotiations subsequent to the signing of contracts, so COG went back at that time and reviewed, with City staff the existing contracts. Finding no problems, Braddock, as COG Chairman, added his signature to the contracts. No changes were made and therefore, no further initialling on the part of other signators was necessary

I would concur that the process was fumbled in a couple of areas; however, the contracted scope of services was accomplished both to the satisfaction of COG and EDA, and more importantly the intent, if not the letter, of the EDA and other applicable Federal regulations and administrative requirements was upheld throughout the conduct of the grant.

I appreciate your comments and the thoroughness of your audit. It was very helpful in identifying several areas where our recordkeeping could be made more efficient and subsequent procedural changes have proven beneficial to the fiscal operation and administration of this agency.

If I may answer any further questions or concerns, please do not hesitate to contact me.

Sincerely,



Elaine L. Ramel
Director

U.S. DEPARTMENT OF COMMERCE
Economic Development Administration
1700 Westlake Avenue North
Seattle, Washington 98109



Date: November 10, 1981

Reply to: *[Signature]*

Subject: T. A. Grant #07-06-01822

To: Elaine Ramel

We have confirmed that the Office of Inspector General has accepted the questioned costs on the above grant. Therefore, today we have requested that EDA's Accounting Division in Washington, D. C. disburse the remaining grant funds of \$5,000 to the Whatcom County Council of Governments.

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COUNCIL OF GOVERNMENTS



OFFICE OF PLANNING AND DEVELOPMENT, 210 Lottie St., Bellingham, Washington 98225
Telephone: (206) 676-6982

November 15, 1981

I N V O I C E

In account with:

Whatcom County Council of Governments
1111 W. Holly
Bellingham, WA 98225

RE: Consulting Services provided for
EDA-TA #07-06-01822

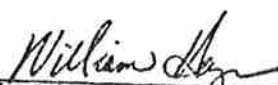
RETAINAGE HELD FROM INVOICE
DATED OCTOBER 30, 1978

4,400

TOTAL DUE:

\$ 4,400

By:


William Hager for
Gregory Waddell,
Planning Director

mj

