

MAY 19 1986



Examination No. 49670

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
WHATCOM COUNTY, WASHINGTON

Sixth Examination

January 1, 1982 Thru December 31, 1984

REPORT OF EXAMINATION
DIVISION OF MUNICIPAL CORPORATIONS

Robert V. Graham
State Auditor



The State of Washington

OFFICE OF STATE AUDITOR
LEGISLATIVE BUILDING AS-21
OLYMPIA, WASHINGTON 98504
(206) 753-5277

Notice of Filing and Transmittal
May 9, 1986

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, 1982 through December 31, 1984.

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, appearing to read "Robert V. Graham".

ROBERT V. GRAHAM
STATE AUDITOR

Copies transmitted to:

Gary Gibbons, Chairman of the Executive Board
Madeline Clemann, Executive Director
Joan Ogden, County Auditor
David S. McEachran, County Prosecuting Attorney
Richard E. Nygaard, Office of Inspector General
U.S. Department of Housing and Urban Development
Single Audit Clearinghouse, Data Preparation Division
Bureau of Census
Honorable Kenneth O. Eikenberry, Attorney General
Office of State Auditor

TABLE OF CONTENTS

	<u>Page</u>
Compliance Section:	
Report on Compliance	1
Finding and Recommendations	3
Auditor's Schedule of Questioned Costs	4
Management Section:	
Report on Internal Control	5
Financial Section:	
Report on Financial Statements	6
Exhibits:	
A-1 Operations of Cash - 1982	7
A-2 Operations of Cash - 1983	7
A-3 Operations of Cash - 1984	7
Schedules:	
1-A Schedule of Grant Activity - 1982	8
1-B Schedule of Grant Activity - 1983	9
1-C Schedule of Grant Activity - 1984	10
Auditor's Notes to Financial Statements	11
Addendum:	
A Directory of Officials	12

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Sixth Examination
January 1, 1982 Thru December 31, 1984

REPORT ON COMPLIANCE

Exhibit A contained in the financial section of this report comprises the financial statements of the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1982 through December 31, 1984. We have examined Exhibit A, and our report on it is set forth in the financial section of this report. Our examination was made in accordance with generally accepted auditing standards, with generally accepted government auditing standards for financial and compliance audits, and with the guidelines for a single audit listed on the following page. In addition to our evaluation of the council's compliance with legal requirements that could affect its financial condition, we reviewed its compliance with other applicable laws and regulations as specified in RCW 43.09.260. Our examination included such tests of the accounting records and of the claims and reports to federal and other grantors and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except as discussed in the finding and the schedule of questioned costs which accompany this report, the Whatcom County Council of Governments has complied with the material terms of its grants, including reporting requirements, and with other laws and regulations we tested. Further, based on our examination, nothing came to our attention to indicate that the council has not complied with the provisions referred to above or with other applicable laws and regulations or that the claims and reports to federal and other grantors are not accurate and complete.

Guidelines For A Single Audit

By referencing these guidelines, we mean that our examination was made in accordance with the provisions of the U.S. Office of Management and Budget's (OMB) Compliance Supplement for Single Audits of State and Local Governments, with the "Audit Requirements," Attachment P, of OMB's Circular A-102, Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments, and with the Guidelines for Financial and Compliance Audits of Federally Assisted Programs.

FINDING AND RECOMMENDATIONS

Source Documents Should Be Retained And Internal Control Strengthened Over Cash Receipts

During our review of the revenues received by Whatcom County Council of Governments, we noted that the 1982 and 1983 cash receipts were missing. During 1984, receipts were not written for all cash that had been received. We also noted that cash receipts were being written out of sequence and that some receipts had been written months after the money had been received.

RCW 43.09.200 states in part:

" . . . The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction."

Council of government officials stated that the primary reason for these conditions is the numerous personnel changes which have occurred in their office in the past 18 months.

Because the cash receipts for the years 1982 and 1983 were unavailable for inspection during our examination, the validity of cash transactions was difficult to determine. The failure of the council of governments to establish adequate internal controls over cash receipting could result in the undetected loss of the agency's assets through error or irregularity, such as fraud or theft.

We recommend that the council of governments comply with the statute requiring that cash receipt documents be kept for inspection. We further recommend that internal controls be strengthened over cash receipting, specifically, cash receipts should be written promptly in a sequential manner for all cash received.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
 AUDITOR'S SCHEDULE OF QUESTIONED COSTS
 STATE PROGRAMS
 For The Year Ending December 31, 1984

	<u>Claimed By Grantee</u>	<u>Amount Disallowed</u>	<u>Amount Allowed</u>
Washington Dept. of Transportation Award Y2519	<u>\$18,544.52</u>	<u>\$270.96</u> ^{1/}	<u>\$18,273.56</u>

^{1/} Description of disallowed costs:

Travel costs incurred by board member which was not approved by Washington Department of Transportation	\$270.96
---	----------

*DOT
 Wayne Donaldson
 5-234-7448*

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Sixth Examination
January 1, 1982 Thru December 31, 1984

REPORT ON INTERNAL CONTROL

We have examined the financial statements of the Whatcom County Council of Governments, Whatcom County, Washington, as of and for the period January 1, 1982 through December 31, 1984. Our opinion on those financial statements is set forth in the financial section of this report. As part of our examination, we made a study and evaluation of the council's system of internal control in accordance with standards established by the American Institute of Certified Public Accountants. Our study included all of the following categories, which comprise the significant internal accounting controls established and maintained by council administrators: cash receipts, billings and receivables, cash disbursements, accounts payable, purchasing and receiving, payroll, and property and equipment.

The objectives of a system of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss, that transactions are properly authorized, executed, and recorded, and that legal requirements are met. No system can guarantee that all errors or irregularities will be detected. However, in our opinion, the conditions described in the finding in the compliance section of this report, and in the following paragraphs concerning the system of internal control in effect during the years ended December 31, 1982, 1983 and 1984, result in a significant risk that material errors or irregularities may occur and not be detected within a timely period.

These conditions were considered in determining the audit tests applied in our examination of the financial statements, and this report does not alter our report on those financial statements.

Internal Control Over Payroll Should Be Strengthened

Time records submitted by personnel do not contain evidence of supervisory approval. Because the time records contain no evidence of supervisory approval, there is no assurance that the time records have been reviewed for accuracy.

We recommend that the Whatcom County Council of Governments strengthen the internal control over payroll by requiring that all time records contain evidence of supervisory approval.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Sixth Examination
January 1, 1982 Thru December 31, 1984

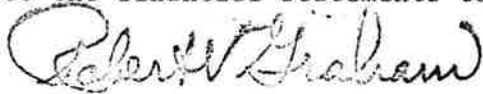
REPORT ON FINANCIAL STATEMENTS

We have examined Exhibit A which contains the statements of cash of the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1982 through December 31, 1984. 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.

Whatcom County prepared Exhibit A on behalf of the council of governments on the cash basis of accounting as permitted by Washington State statutes and the Budgeting, Accounting and Reporting System (BARS) prescribed by the State Auditor. Exhibit A does not present, and is not intended to present, the financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the statements referred to above present fairly the cash transactions of the Whatcom County Council of Governments for the years ending December 31, 1982, 1983 and 1984, on the prescribed basis of accounting, applied in a consistent manner.

Our examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as the schedule of grant activity has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



ROBERT V. GRAHAM
STATE AUDITOR

May 9, 1986

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
OPERATIONS OF CASH
 For The Years 1982, 1983 And 1984

Exhibit A-1

<u>Fund No.</u>	<u>Description</u>	<u>Beg. Cash</u> <u>Bal. 1/1/82</u>	<u>Cash In</u>		<u>Transfers</u> <u>Out</u>	<u>Cash Out</u>		<u>Ending Cash</u> <u>Bal. 12/31/82</u>
			<u>Receipts</u>	<u>Transfers</u> <u>In</u>		<u>Disbursements</u>		
0673	Council of Govts.	\$14,197.89	\$58,264.82	\$ 0	\$ 0	\$67,851.26		\$4,611.45
		<u>Bal. 1/1/83</u>						<u>Exhibit A-2</u>
673-000-001	Council of Govts.	\$4,611.45	\$129,571.95	\$ -0-	\$ -0-	\$125,866.82		\$8,316.58
								<u>Bal. 12/31/83</u>
		<u>Bal. 1/1/84</u>						<u>Exhibit A-3</u>
673-000-001	Council of Govts.	\$8,316.58	\$112,223.42	\$ -0-	\$ -0-	\$113,684.25		\$6,865.75
								<u>Bal. 12/31/84</u>

SEE ACCOMPANYING AUDITOR'S NOTES TO FINANCIAL STATEMENTS.

16 Schedule	SCHEDULE OF GRANT ACTIVITY		1982 Year	This sheet reports	Check one
				Federal Grants	<input checked="" type="checkbox"/>
Entity Name		Include all grants even if no moneys were received during report year.		State Grants	
Whatcom County		Include all federal shared revenues and entitlements.		Local Grants	
Council of		Include state entitlements, but exclude state shared revenues.		Private Grants	
Governments				Fed. Entitle./Shared Rev.	
				Schedule 1-A	

FEDERAL CATALOG/ STATE CONTRACT NUMBER	GRANTOR AGENCY AND PROGRAM	CURRENT YEAR REVENUES	PROGRAM INCOME AND DONATIONS	MATCHING CONTRIBUTIONS	CURRENT YEAR EXPENDITURES	PASS-THROUGH MONEYS
10.826	Farmers Home Administration	3823.00	-0-	2785.01	5608.01	
HPR-PR-PL-1 (19&20)	MSDOT	4775.71	0	1194.93	5970.64	
GC6764	MSDOT - UMTA	3641.20	-0-	15621.84	19263.04	
Y2519	MSDOT	4595.65	-0-	1531.96	6127.81	
	Totals	\$16,835.76		\$21,133.74	\$37,969.50	

Entity Name	16 Schedule	SCHEDULE OF GRANT ACTIVITY		1984 Year	This sheet reports	Check one
					Federal Grants	X
					State Grants	
					Local Grants	
					Private Grants	
					Fed. Entitle./Shared Rev.	
					: Schedule I-C	
Whatcom County Council of Governments						
FEDERAL CATALOG/ STATE CONTRACT NUMBER	GRANTOR AGENCY AND PROGRAM	CURRENT YEAR REVENUES	PROGRAM INCOME AND DONATIONS	MATCHING CONTRIBUTIONS	CURRENT YEAR EXPENDITURES	PASS-THROUGH MONEYS
Y2519	WSDOT	18,544.52		2,585.10	21,129.62	
Y3163	WSDOT	12,459.14		6,565.32	19,024.46	
	Totals	\$31,003.66		\$9,150.42	\$40,154.08	

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
AUDITOR'S NOTES TO FINANCIAL STATEMENTS
January 1, 1982 Thru December 31, 1984

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

NOTE 1 - SCHEDULE OF GRANT ACTIVITY BASIS OF PRESENTATION

The accompanying schedules of grant activity have been prepared on the modified-accrual basis of accounting. Revenues have been recognized when received in cash, rather than when measurable and available, and expenditures have been recognized when warrants are issued rather than when the expenditures are incurred.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
DIRECTORY OF OFFICIALS

Addendum A

Executive Board

Chair	Gary Gibbons	Councilperson, Ferndale
Vice-Chair	Anne Rose	Councilperson, Bellingham
Secretary/Treasurer	Tim Douglas	Mayor, Bellingham
Members:	R. W. Muenschner	Councilperson, Whatcom County
	Theresa Pomeroy	Councilperson, Blaine
	Kenneth Roberts	Mayor, Nooksack
	Shirley VanZanten	Executive, Whatcom County
	Peter Zuanich	Commissioner, Port of Bellingham

Voting Members

Jacqui MacConnell	Councilperson, Bellingham
Tom Burton	Mayor, Blaine
Jerry Digerness	Chairperson, Conservation Dist.
Vernon Hougen	Mayor, Everson
Jack Williams	Mayor, Ferndale
Egbert Maas	Mayor, Lynden
Robert Mitchell	Mayor, Sumas
Jim Trowbridge	Water District No. 7
Pat Sizemore	Water District No. 8
Al Couch	Water District No. 10
Dave Johnson	Water District No. 12

Associate Members

William Hallman	Sudden Valley Community Association
Donald Keenan	Director, Whatcom County Opportunity Council

Executive Director

Elaine Ramel
(Resigned 12/31/85)
Madeline Clemann
(Appointed 1/1/86)

Mailing Address

Whatcom County Council of Governments
1000 North Forest
Bellingham, WA 98225