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
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.

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
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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

<table>
<thead>
<tr>
<th>Washington Dept. of Transportation Award Y2519</th>
<th>Claimed By Grantee</th>
<th>Amount Disallowed</th>
<th>Amount Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>$18,544.52</td>
<td>$270.96</td>
<td></td>
<td>$18,273.56</td>
</tr>
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</table>

1/ Description of disallowed costs:

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

<table>
<thead>
<tr>
<th>Fund No.</th>
<th>Description</th>
<th>Beg. Cash Bal. 1/1/82</th>
<th>Cash In Receipts</th>
<th>Transfers In $0</th>
<th>Transfers Out $0</th>
<th>Cash Out Disbursements $67,851.26</th>
<th>Ending Cash Bal. 12/31/82 $4,611.45</th>
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<tbody>
<tr>
<td>0673</td>
<td>Council of Govts.</td>
<td>$14,197.89</td>
<td>$58,264.82</td>
<td>$0</td>
<td>$0</td>
<td>$67,851.26</td>
<td>$4,611.45</td>
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**Bal. 1/1/83**

| 673-000-001 | Council of Govts. | $4,611.45          | $129,571.95      | $0-              | $0-              | $125,866.82                       | $8.316.58                          |

**Bal. 1/1/84**

| 673-000-001 | Council of Govts. | $8,316.58          | $112,223.42      | $0-              | $0-              | $113,684.25                       | $6,865.75                          |

SEE ACCOMPANYING AUDITOR'S NOTES TO FINANCIAL STATEMENTS.
<table>
<thead>
<tr>
<th>FEDERAL CATALOG/STATE CONTRACT NUMBER</th>
<th>GRANTOR AGENCY AND PROGRAM</th>
<th>CURRENT YEAR REVENUES</th>
<th>PROGRAM INCOME AND DONATIONS</th>
<th>MATCHING CONTRIBUTIONS</th>
<th>CURRENT YEAR EXPENDITURES</th>
<th>PASS-THROUGH MONEYS</th>
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<tr>
<td>10.826</td>
<td>Farmers Home Administration</td>
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<td>2783.01</td>
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<tr>
<td>HPR-PR-PL-1 (19820)</td>
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<td>GC6764</td>
<td>WSDOT - UMTA</td>
<td>3641.20</td>
<td>-0-</td>
<td>15621.84</td>
<td>19263.04</td>
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<tr>
<td>Y2519</td>
<td>WSDOT</td>
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<td>-0-</td>
<td>1531.96</td>
<td>6127.81</td>
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<td><strong>Totals</strong></td>
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<td><strong>$16,835.76</strong></td>
<td><strong>$21,133.74</strong></td>
<td><strong>$37,969.50</strong></td>
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<td>CURRENT YEAR EXPENDITURES</td>
<td>PASS-THROUGH MONEYS</td>
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</tr>
<tr>
<td>Y2519</td>
<td>WSDOT</td>
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<td>-0-</td>
<td>10,201.53</td>
<td>40,638.53</td>
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<td>FEDERAL CATALOG/STATE CONTRACT NUMBER</td>
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<td>CURRENT YEAR REVENUES</td>
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</tr>
<tr>
<td>Y2519</td>
<td>WSDOT</td>
<td>18,544.52</td>
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<td>21,129.62</td>
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<td>Y3163</td>
<td>WSDOT</td>
<td>12,459.14</td>
<td>6,565.32</td>
<td>19,024.46</td>
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<tr>
<td>Totals</td>
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<td>$31,003.66</td>
<td>$9,150.42</td>
<td>$40,154.08</td>
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</table>

SEE ACCOMPANYING AUDITOR'S NOTES TO FINANCIAL STATEMENTS
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-accural 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

Executive Board

Chair
Gary Gibbons

Vice-Chair
Anne Rose

Secretary/Treasurer
Tim Douglas
R. W. Muenscher
Theresa Pomeroy
Kenneth Roberts
Shirley VanZanten
Peter Zuanich

Councilperson, Ferndale
Councilperson, Bellingham
Mayor, Bellingham
Councilperson, Whatcom County
Councilperson, Blaine
Mayor, Nooksack
Executive, Whatcom County
Commissioner, Port of Bellingham

Voting Members

Jacqui MacConnell
Tom Burton
Jerry Digerness
Vernon Hougen
Jack Williams
Egbert Maas
Robert Mitchell
Jim Trowbridge
Pat Sizemore
Al Couch
Dave Johnson

Councilperson, Bellingham
Mayor, Blaine
Chairperson, Conservation Dist.
Mayor, Everson
Mayor, Ferndale
Mayor, Lynden
Mayor, Sumas
Water District No. 7
Water District No. 8
Water District No. 10
Water District No. 12

Associate Members

William Hallman
Donald Keenan

Sudden Valley Community Association
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

-12-