



Examination No. 51162

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
WHATCOM COUNTY, WASHINGTON

Seventh Examination

January 1, 1985 Thru December 31, 1986

REPORT OF EXAMINATION
DIVISION OF MUNICIPAL CORPORATIONS

Robert V. Graham
State Auditor



Office of State Auditor

ROBERT V. GRAHAM
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Notice of Filing and Transmittal
July 8, 1988

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, 1985 through December 31, 1986.

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:

Ken Roberts, Chairman of the Board
Gary Gibbons, Secretary/Treasurer
Madeline Clemann, Executive Director
Shirley Forslof, County Auditor
David S. McEachran, County Prosecuting Attorney
Charles Howard, Washington State Department of Transportation
U.S. Department of Housing and Urban Development
Economic Development Administration, U.S. Department of Commerce
Single Audit Clearinghouse, Data Preparation Division
Bureau of Census
Honorable Ken Eikenberry, Attorney General
Office of State Auditor

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WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Seventh Examination
January 1, 1985 Thru December 31, 1986

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements as listed in the table of contents of the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1985 through December 31, 1986. Our opinion on those financial statements is presented in our report on financial statements which accompanies this report. Our examination was made in accordance with generally accepted auditing standards.

Because our audit is intended to satisfy federal audit requirements for awards received directly from federal agencies and indirectly through state agencies, our examination was also made in accordance with federal auditing standards including:

- Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office (GAO)
- The Single Audit Act of 1984 (P.L. 98-502)
- Circular A-128, Audits of State and Local Governments, issued by the U.S. Office of Management and Budget (OMB)

Accordingly, our examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The executive board has the responsibility to ensure that the council complies with all applicable laws and regulations. The purpose of our tests was to verify compliance and to report instances of noncompliance to the appropriate federal, state or local officials.

OMB Circular A-128 provides guidelines for classifying federal programs as either major programs or nonmajor programs. The council had no programs which met the definition of a major federal program. In connection with our examination of the financial statements and our evaluation of internal controls, we selected and tested transactions and records from nonmajor federal programs. For nonmajor programs, the purpose of our testing was only to obtain reasonable assurance that the council complied with the laws and regulations which could have a material effect on the allowability of the specific transactions tested.

In addition to our evaluation of the council's compliance with laws and regulations that could affect its financial condition or which could affect the allowability of program expenditures for the federal programs tested, we reviewed its compliance with state and local laws and regulations as required by RCW 43.09.260.

The results of our testing of transactions and records selected from non-major federal programs indicate that, for the transactions and records tested, the council complied with the laws and regulations related to those transactions. Our testing was more limited than would be necessary to express an opinion on whether the council administered its nonmajor federal programs in compliance in all material respects with those laws and regulations which we believe could have a material effect on the allowability of program expenditures. However, nothing came to our attention to indicate that the Whatcom County Council of Governments had not complied with applicable laws and regulations for transactions which were not tested.

The results of our tests of transactions and records also indicate that the council had complied with state and local laws.



ROBERT V. GRAHAM
STATE AUDITOR

JUL 8 1988

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Seventh Examination
January 1, 1985 Thru December 31, 1986

REPORT ON INTERNAL CONTROL

We have examined the financial statements as listed in the table of contents of the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1985 through December 31, 1986. Our opinion on those financial statements is presented in our report on financial statements which accompanies this report. As part of our examination, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal programs. Our study and evaluation was made to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards.

Because our study and evaluation was intended to satisfy the audit requirements for the federal programs administered by the council, we also applied the additional federal standards for financial and compliance audits. These standards are contained in the following documents:

- Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office (GAO)
- The Single Audit Act of 1984 (P.L. 98-502)
- Circular A-128, Audits of State and Local Governments, issued by the U.S. Office of Management and Budget (OMB)

For the purposes of this report, we have classified the significant internal controls used in administering federal programs into accounting controls and administrative controls. The internal accounting controls are centralized and consist of the following categories: cash receipts, billings and receivables, cash disbursements, accounts payable, purchasing and receiving, and payroll.

Administrative controls consist of those procedures established to ensure compliance with laws and regulations and to ensure that program requirements are met. Administrative controls have been classified into general controls and specific controls. General controls are applicable to all federal programs and include the Davis-Bacon Act, political activity, civil rights, cash management, relocation assistance and real property acquisition, and federal financial reporting. Specific controls apply only to specific federal programs and include types of services, eligibility, matching level of effort, reporting, cost allocation, and any other specific requirement, if any.

The executive board of the council is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that:

- Expenditures of federal funds are consistent with laws, regulations, and policies.
- Resources supplied by federal agencies or acquired with federal funds are safeguarded against waste, loss, or misuse.
- Reliable and complete information on the use of federal funds is maintained and fairly reported to federal grantors.

Because of inherent limitations in any system of internal accounting and administrative controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1986, the council had no major federal financial assistance programs and expended 77 percent of its total federal financial assistance under the following nonmajor federal financial assistance programs: UMTA Section 8 and FHWA PL.

With respect to internal control systems used in administering the nonmajor federal programs listed above, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the remaining nonmajor federal programs, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering these nonmajor federal programs did not extend beyond this preliminary review phase.

Our study and evaluation as described above was more limited than would be necessary to express an opinion on the internal control systems used in administering federal programs. Nor would our preliminary review necessarily disclose material weaknesses in the internal control systems

used solely in administering nonmajor federal programs. Accordingly, we do not express an opinion on the internal control systems used in administering the federal programs of the Whatcom County Council of Governments.

Our study and evaluation of internal controls, our examination of financial statements, and our examination of compliance with laws and regulations disclosed no conditions that we believe to be a material weakness in relation to a federal financial assistance program.

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

ROBERT V. GRAHAM
STATE AUDITOR

JUL 8 1988

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Seventh Examination
January 1, 1985 Thru December 31, 1986

REPORT ON FINANCIAL STATEMENTS

We have examined Exhibit A which contains the statement of cash transactions of the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1985 through December 31, 1986. 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 financial statements on behalf of the council on the cash basis of accounting as permitted by Washington State statutes and the Budgeting, Accounting, Reporting Systems (BARS) manual prescribed by the State Auditor. The required financial statements do not present the financial position of the council and they are not intended to present results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements present fairly the cash transactions of the Whatcom County Council of Governments for the period January 1, 1985 through December 31, 1986, 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 financial assistance 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

JUL 8 1988

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF CASH ACTIVITY
For The Year Ending December 31, 1986

Exhibit A-1

<u>01/01/86</u> <u>Beginning</u> <u>Balance</u>	<u>Receipts</u>	<u>Total</u> <u>Available</u>	<u>Disbursements</u>	<u>12/31/86</u> <u>Ending</u> <u>Balance</u>
\$5,634	\$107,187	\$112,821	\$102,380	\$10,441

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF CASH ACTIVITY
For The Year Ending December 31, 1985

Exhibit A-2

<u>01/01/85</u> <u>Beginning</u> <u>Balance</u>	<u>Receipts</u>	<u>Total</u> <u>Available</u>	<u>Disbursements</u>	<u>12/31/85</u> <u>Ending</u> <u>Balance</u>
\$6,866	\$151,636	\$158,502	\$152,868	\$5,634

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS

SCHEDULE OF FINANCIAL ASSISTANCE
For The Year Ending December 31, 1986

Schedule 1-A

TYPE OF FINANCIAL ASSISTANCE REPORTED ON THIS PAGE (Report Only One Type On Each Page).

- Federal Assistance Received Directly From A Federal Agency
- Federal Assistance Received Indirectly Through A State Agency Or Other Local Government
- Governmental Assistance Received From State Agencies Or Local Governments
- Non-Governmental Assistance Received From Private Donors

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance At Beginning Of Current Year	Current Year Receipts	Current Year Disburs.	Balance At Year End
EDA	331.11.30	Technical Assistance	11.303	07-06-02798	\$40,000.00	\$12,219.60	\$19,770.96	\$10,000.00	\$2,219.60

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINANCIAL ASSISTANCE
 For The Year Ending December 31, 1986

Schedule 1-A

TYPE OF FINANCIAL ASSISTANCE REPORTED ON THIS PAGE (Report Only One Type On Each Page).

- Federal Assistance Received Directly From A Federal Agency
- Federal Assistance Received Indirectly Through A State Agency Or Other Local Government
- Governmental Assistance Received From State Agencies Or Local Governments
- Non-Governmental Assistance Received From Private Donors

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance At Beginning Of Current Year	Current Year Receipts	Current Year Disburs.	Balance At Year End
WSDOT	333.20.50	UMTA Section 8	20.505	Y3163/PS0653	\$19,531.71	\$16,705.89	\$17,758.59	\$16,705.89	\$ -
WSDOT	333.20.50	UMTA Section 8	20.505	Y3163/PS0663	18,000.00	18,000.00	613.26	2,547.39	15,452.61
WSDOT	333.20.20	FHWA PL	20.205	Y3163/PS0466	37,060.00	6,855.81	25,274.20	6,855.81	-
WSDOT	333.20.20	FHWA PL	20.205	Y3163/PS1166	30,289.00	30,289.00	4,696.69	7,721.36	22,567.64

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINANCIAL ASSISTANCE
 For The Year Ending December 31, 1985

Schedule 1-B

TYPE OF FINANCIAL ASSISTANCE REPORTED ON THIS PAGE (Report Only One Type On Each Page).

- Federal Assistance Received Directly From A Federal Agency
- Federal Assistance Received Indirectly Through A State Agency Or Other Local Government
- Governmental Assistance Received From State Agencies Or Local Governments
- Non-Governmental Assistance Received From Private Donors

<u>Grantor Agency</u>	<u>Revenue Account No.</u>	<u>Program Name</u>	<u>Federal CFDA No.</u>	<u>Other Ident. No.</u>	<u>Total Award Amount</u>	<u>Balance At Beginning Of Current Year</u>	<u>Current Year Receipts</u>	<u>Current Year Disburs.</u>	<u>Balance At Year End</u>
EDA	331.11.30	Technical Assistance	11.303	07-06-02798	\$40,000.00	\$39,177.46	\$18,009.44	\$26,957.86	\$12,219.60

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINANCIAL ASSISTANCE
 For The Year Ending December 31, 1985

Schedule 1-B

TYPE OF FINANCIAL ASSISTANCE REPORTED ON THIS PAGE (Report Only One Type On Each Page).

- Federal Assistance Received Directly From A Federal Agency
- Federal Assistance Received Indirectly Through A State Agency Or Other Local Government
- Governmental Assistance Received From State Agencies Or Local Governments
- Non-Governmental Assistance Received From Private Donors

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance At Beginning Of Current Year	Current Year Receipts	Current Year Disburs.	Balance At Year End
WSDOT	333.20.50	UMTA Section 8	20.505	Y3163/PS0603	\$20,000.00	\$20,000.00	\$20,000.00	\$ -	-
WSDOT	333.20.50	UMTA Section 8	20.505	Y3163/PS0653	19,531.71	19,531.71	1,773.12	2,825.82	16,705.89
WSDOT	333.20.20	FHWA PL	20.205	Y3163/PS0342	25,702.59	8,122.06	13,243.45	8,122.06	-
WSDOT	333.20.20	FHWA PL	20.205	Y3163/PS0466	37,060.00	37,060.00	11,785.80	30,204.19	6,855.81

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
 SCHEDULE OF FINANCIAL ASSISTANCE
 For The Year Ending December 31, 1985

Schedule 1-B

TYPE OF FINANCIAL ASSISTANCE REPORTED ON THIS PAGE (Report Only One Type On Each Page).

- Federal Assistance Received Directly From A Federal Agency
- Federal Assistance Received Indirectly Through A State Agency Or Other Local Government
- Governmental Assistance Received From State Agencies Or Local Governments
- Non-Governmental Assistance Received From Private Donors

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance At Beginning Of Current Year	Current Year Receipts	Current Year Disburs.	Balance At Year End
WSDCD	334.04.20	Local Economic Development Matching Fund			\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00	\$ -

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
AUDITOR'S NOTES TO SCHEDULE OF FINANCIAL ASSISTANCE
January 1, 1985 Thru December 31, 1986

NOTE 1 - SCOPE OF REVIEW

a. Programs Subject To The Single Audit

All significant federal and state awards received by the council have been included in the schedule of financial assistance. Although not specifically required by OMB Circular A-128, state award programs have been included in the single audit scope because many of these programs contain federal pass-through funds and because the purpose of the single audit is to fulfill the needs of all potential government users to the maximum extent practicable.

b. Fiscal Period Audited

Single audit testing procedures were performed for program transactions occurring during the calendar years ended December 31, 1985 and 1986. Revenues and expenditures recorded prior to January 1, 1985, were outside the scope of this single audit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis Of Presentation

The accompanying schedule of financial assistance has been prepared on the same basis of accounting as the council's financial statements for 1985 and 1986.

The council's financial statements are prepared on a cash basis, where revenues are recognized when received and expenditures are recognized when paid.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Seventh Examination
January 1, 1985 Thru December 31, 1986

COMMENTS ON PRIOR FINDING, QUESTIONED COSTS AND
INTERNAL CONTROL RECOMMENDATION

The finding, questioned costs and internal control recommendation contained in the prior audit report were resolved as follows:

COMPLIANCE FINDING

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

Resolution: Receipts were available for 1985 and 1986. Internal controls have improved.

QUESTIONED COSTS

On April 5, 1988, the council processed voucher No. 2253 payable to Washington State Department of Transportation repaying the \$270.96 in questioned costs from the previous audit.

INTERNAL CONTROL RECOMMENDATION

Internal Control Over Payroll Should Be Strengthened

Improvement: Time sheets now contain supervisory approval.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
DIRECTORY OF OFFICIALS

Addendum A

Executive Board

Mayor, Nooksack	Ken Roberts, Chair
Councilperson, Bellingham	Don Gischer, Vice-Chair
Councilperson, Ferndale	Gary Gibbons, Secretary/Treasurer

Members:

Executive, Whatcom County	Shirley Van Zanten
Mayor, Bellingham	Tim Douglas
Councilperson, Whatcom County	Dan Warner
Councilperson, Lynden	Leonard Vander Velden
Commissioner, Port of Bellingham	Peter Zuanich

Voting Members

Councilperson, Whatcom County	Marvin VanderPol
Councilperson, Bellingham	Betty Kiner
Mayor, Sumas	Bob Mitchell
Mayor, Everson	Matt Lagerwey
Mayor, Nooksack	Maxine Jones
Councilperson, Blaine	Gerald Shank
Chairman, Lummi Indian Tribe	Willie Jones
Chairman, Nooksack Indian Tribe	Joe Johnson
Chairperson, Conservation District	Gerald Digerness
Boardmember, Water District No. 4	Sid Wallace
Manager, Water District No. 8	Pat Sizemore
Manager, Water District No. 10	Peter Willing
Manager, Water District No. 12	Dave Johnson

Associate Members

Director, Whatcom County Opportunity Council	Don Keenan
Boardmember, Sudden Valley Community Association	Richard Brumenschenkel

Executive Director

Elaine Ramel (Resigned 12/31/85)
Madeline Clemann (Appointed 01/01/86)

Mailing Address

The Council	119 North Commercial, Suite 640 Bellingham, WA 98225
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FACTS ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office (SAO) is headed by an elected State Auditor. SAO is part of the executive branch of state government established by the state's Constitution which provides that the state Auditor shall be the auditor of all public accounts. The Auditor performs an extensive fiscal-legal-compliance audit applying governmental standards for audit of fraud, abuse and negligence. State laws create two audit divisions within SAO. Both divisions are headed by Chief Examiners appointed by the State Auditor.

Division of Departmental Audits

The Division of Departmental Audits (DDA) is responsible for auditing all state agencies, boards and commissions. This also includes all public colleges and universities.

DDA also conducts an annual audit of the statewide combined financial statements prepared by the Office of Financial Management and performs the audit to meet the requirements of the congressional single audit act of 1984. In addition to its audit responsibilities, the division administers the Employee Disclosure or "Whistleblower Act."

Division of Municipal Corporations

The Division of Municipal Corporations (DMC) is responsible for auditing local governments. There are more than 2,400 local governments in Washington State. These include cities, counties, schools, ports, and various types of special purpose districts. Depending on their size and other factors, audits are conducted every one, two, or three years.

DMC also prescribes the accounting systems used by most local governments and compiles statistical information for the state legislature.

Directory of Key Officials

<i>State Auditor</i>	<i>Robert V. Graham, CIA</i>
<i>Assistant State Auditor</i>	<i>Jack Heinricher, CIA/CISA</i>
<i>Deputy State Auditor</i>	<i>Linda Sheler, CPA</i>
<i>Chief Examiner - DDA</i>	<i>Keith D. Lougheed</i>
<i>Chief Examiner - DMC</i>	<i>Lee Reaves, CISA</i>
<i>Deputy State Auditor - Administration</i>	<i>Timothy K. Schoth</i>