



**Office of the Washington State Auditor
Pat McCarthy**

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED UPON PROCEDURES**

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To the Board of Directors and Management of Whatcom Transportation Authority:

We have performed the procedures enumerated below, on the Whatcom Transportation Authority's application of the requirements of the Federal Transit Administration (FTA) as set forth in its applicable National Transit Database (NTD) Uniform System of Accounts (USOA), for the fiscal year ended December 31, 2018. Such procedures, which were agreed to by management of the Authority and the FTA, were performed to assist the Authority and the FTA in determining conformance with USOA requirements based on the following assertion by Authority management:

The accounting system from which the NTD reports for the year ended December 31, 2018, were derived, uses the accrual basis of accounting and is directly translated, using a clear audit trail, to the accounting treatment and categories specified by the USOA.

The Authority's management is responsible for conformance with the requirements described above and for the records supporting its NTD reports. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Procedure Results

The agreed-upon procedures and associated findings are as follows:

1. Procedure: NTD Crosswalk

a. Obtain the following NTD Reporting Forms prepared by management for the year ended December 31, 2018:

- NTD Form F-10, Sources of Funds – Funds Expended and Funds Earned (USOA Section 2)
- NTD Form F-20, Uses of Capital (USOA Section 3)
- NTD Form F-30, Operating Expenses (USOA Section 4, 5, and 6 and Appendix A)
- NTD Form F-40, Operating Expenses Summary
- NTD Form F-60, Financial Statement

Results: We obtained the NTD Reporting Forms prepared by management for the year ended December 31, 2018 and listed in procedure 1.a. No exceptions were found as a result of applying the procedure.

b. Obtain the reconciliation documentation management prepares (referred to as “the crosswalk” throughout this report) to reconcile the chart of accounts, general ledger, and/or trial balance and other supporting documents such as Excel spreadsheets (collectively referred to as the accounting system) to the respective NTD Reporting Forms identified above.

Results: We obtained the reconciliation documentation management prepares (“crosswalk”) spreadsheets to reconcile the chart of accounts, general ledger, trial balance, and other supporting documents to the respective NTD reporting forms identified above. No exceptions were found as a result of applying the procedure.

c. Inquire of management as to whether the crosswalk obtained in procedure 1.b is supported by the accounting system.

Results: We inquired with the Manager of Accounting who confirmed the crosswalk is supported by the accounting system. No exceptions found as a result of applying the procedure.

d. For a transit agency that is part of a larger reporting entity, inquire of management as to whether the crosswalk includes the full cost of providing transit service, including costs incurred by the larger reporting entity to specifically support the agency’s transit service.

Results: Whatcom Transportation Authority is not part of a larger reporting entity; therefore, we did not perform this procedure.

e. Inspect the crosswalk to determine that it incorporates NTD reporting using the applicable modes and types of service identified in the bulleted list below:

- Sources of Funds, Form F-10 – Funding sources, passenger fares by mode and service type, passenger fares by passenger paid or by organization paid fares, revenue object class, and funds expended on operations and capital fund types

- Uses of Capital, Form F-20 - Type of use, asset classifications, and modes and service types
- Operating Expenses, Form F-30 - Modes, service types, object classes and functions
- Operating Expenses Summary, Form F-40 - Expense reconciling items
- Financial Statement, Form F-60 - Current assets, non-current assets, deferred outflows of resources, current liabilities, non-current liabilities, and deferred inflows of resources.

Results: We inspected the crosswalk and determined it incorporates NTD reporting using the applicable modes and types of service identified in the bulleted list above. No exceptions were found as a result of applying the procedure.

2. Procedure: Accrual Accounting

- a. Obtain the most recent audited financial statements that include the transit agency and inspect the notes to the financial statements to determine whether the accrual basis of accounting was used.

Results: We obtained the audited financial statements for the period ended December 31, 2017 and determined the Authority used the accrual basis of accounting. No exceptions were found as a result of applying the procedure.

- b. Inquire of management as to whether the accrual basis of accounting has continued to be used since the last audited reporting period and that it is used for NTD reporting in the current period.

Results: We inquired and confirmed with management that the accrual basis of accounting has continued to be used subsequent to December 31, 2017 and is used for NTD reporting in the current period. No exceptions were found as a result of applying the procedure.

- c. If the notes to the financial statements indicate that an accrual basis of accounting is not being used, or the results of the inquiry to management in procedure 2.b indicate the accrual basis of accounting is not being used in the current period, inspect the crosswalk to determine that the transit agency made adjustments to convert to an accrual basis for NTD reporting.

Results: The Authority uses the accrual basis of accounting; therefore, we did not perform this procedure.

3. Procedure: Sources of Funds (Form F-10)

- a. Trace and agree total sources of funds from Form F-10 to revenue reported in the accounting system using the crosswalk.

Results: We traced and agreed total sources of funds from Form F-10 to reported sources of funds in the accounting system using the crosswalk and supporting documentation. No exceptions were found as a result of applying the procedure.

- b. Inspect the crosswalk for a written reconciliation between total revenues reported in the audited financial statements or the accounting system and the total revenues reported on Form F-10.

Results: We inspected the crosswalk for a written reconciliation between total revenues reported in the audited financial statements or the accounting system and the total revenues reported on Form F-10. No exceptions were found as a result of applying the procedure.

- c. Trace and agree the two largest directly generated fund passenger fare revenue modes (all service types) from Form F-10 to the accounting system.

Results: We traced and agreed the two largest directly generated fund passenger revenues modes (Total Passenger Fares and Other Agency Revenues) to the general ledger. No exceptions were found as a result of applying the procedure.

- d. Trace and agree the largest revenue object class (other than passenger fares) in the following major categories of funds from Form F-10 to the accounting system: (1) Local Government; (2) State Government; (3) Federal Funds; and (4) Other Directly Generated Funds (i.e., 4100 and 4200 combined).

Results: We traced and agreed Local Government – Sales tax of \$28,038,850 and State Government – State Transportation Funds of \$700,636 to the general ledger. There were no 4200 funds reported. We traced and agreed all 4100 funds reported, as documented in procedure 3a above. No exceptions were found as a result of applying the procedure.

- e. Inspect the crosswalk to determine that it identifies, evaluates, and classifies financial transactions into categories of funds expended on operations and funds expended on capital (USOA Section 2) for the reporting year.

Results: We inspected the crosswalk and determined it identifies, evaluates, and classifies general ledger data into funds expended on operations, and on capital. No exceptions were found as a result of applying the procedure.

4. Procedure: Uses of Capital (Form F-20)

- a. Obtain accounting system documentation on capital asset additions for the reporting period.

Results: We obtained accounting system documentation on capital asset additions for the reporting period. No exceptions were found as a result of applying the procedure.

- b. Trace and agree total uses of capital from Form F-20 to the crosswalk reconciliation of total capital asset additions.

Results: We traced and agreed Total Uses of Capital of \$2,684,940 to the crosswalk reconciliation. No exceptions were found as a result of applying the procedure.

- c. Trace and agree types of use (existing service and expansion of service) from Form F-20 to the crosswalk or other supporting documentation reflecting the nature of the uses of capital.

Results: The Authority reported a total of \$2,432,610 for Rehabilitation/Reconstruction/Replacement/Improvement for Existing Services. We traced and agreed this type of use to journal entries and general ledger detail reports, which identified the nature of the uses of capital by asset classification.

The Authority reported a total of \$252,330 for Expansion of Services. We traced and agreed this type of use to the general ledger.

No exceptions were found as a result of applying the procedure.

- d. Trace and agree asset classifications (guideway, revenue vehicles, etc.) from Form F-20 to the crosswalk or other documentation reflecting the assets classes of capital additions.

Results: We traced and agreed asset classifications from Form F-20 to general ledger detail reports, which reflected the assets classes of capital additions. No exceptions were found as a result of applying the procedure.

- e. For the largest mode/service type, trace and agree the type of use classification and asset classification from Form F-20 to the crosswalk or other documentation reflecting the uses of capital.

Results: The largest mode/service type is MB DO (Fixed Route/Motorbus), Comm. Info Systems (6800), with a reported total of \$783,156. We traced and agreed this to journal entries and supporting general ledger detail reports. No exceptions were found as a result of applying the procedure.

- f. If capital projects support multiple modes/types of services or and/or asset classifications, inquire of management as to whether management reported the use of capital considering the predominant use rules as described in the “Predominant Use” section of the applicable NTD Policy Manual.

Results: Capital projects do support multiple modes/types of services and asset classifications. We inquired with the Manager of Accounting, who stated they reported use of capital considering predominant use as described in the 2018 NTD Policy Manual. No exceptions were found as a result of applying the procedure.

- g. If capital projects involve: 1) Rehabilitation/Reconstruction/Replacement/Improvement for Existing Service; and 2) Expansion of Service; inquire of management as to whether project costs were allocated between the two project purposes and whether such allocation was documented in the crosswalk or other supporting documentation.

Results: Capital projects involve both 1) Rehabilitation/Reconstruction/Replacement/Improvement for Existing Service; and 2) Expansion of Service. We inquired with the Manager

of Accounting who confirmed project costs were allocated between the two project purposes and the allocation was documented in the crosswalk or other supporting documentation. No exceptions were found as a result of applying the procedure.

5. Procedure: Operating Expenses (Form F-30)

- a. For the two largest modes/type of services, trace and agree functions (vehicle operations, vehicle maintenance, etc.) from Form F-30 to the crosswalk or other written documentation of functional expenses.

Results: We traced the two largest modes/type of services, MB-DO and DR-DO, Vehicle Operations from Form F-30 to the general ledger and payroll reports. No exceptions were found as a result of applying the procedure.

- b. For the two largest modes/type of services, trace and agree object classes (natural expenses) from Form F-30 to the crosswalk or other written documentation of object class categories.

Results: We traced and agreed all object classes for MB-DO Vehicle Operations and DR-DO Vehicle Operations in order to arrive at the total for the function (Vehicle Operations), as documented in 5a above. No exceptions were found as a result of applying the procedure.

- c. If management allocated shared operating expenses, inquire of management as to whether (1) the operating expenses are split between direct and shared costs; (2) shared costs were allocated across modes, services types and functions, (3) the allocation was documented in the crosswalk or other supporting documentation; and (4) the driving variables used are updated annually.

Results: We inquired with the Manager of Accounting, who confirmed (1) operating expenses are split between direct and shared costs; (2) shared costs were allocated across modes, services types and functions; (3) the allocation was documented in the crosswalk or other supporting documentation; and (4) the driving variables used are updated annually. No exceptions were found as a result of applying the procedure.

6. Procedure: Operating Expenses Summary (Form F-40)

- a. Obtain total expenses from the accounting system for the reporting period. Trace and agree total expenses from Form F-40 to the accounting system using the crosswalk.

Results: We obtained a hard copy of the general ledger trial balance for December 2018 from the Manager of Accounting. We traced and agreed the total expenses of \$34,240,754.56 to the Form F-40. No exceptions were found as a result of applying the procedure.

- b. Trace and agree the reconciling items appearing on Form F-40 through the crosswalk to the accounting system.

Results: We traced and agreed reconciling items for Capital Leases (\$31,262) and Depreciation (\$4,395,219 through crosswalk to general ledger data. No exceptions were found as a result of applying the procedure.

7. Procedure: Financial Statement (Form F-60)

- a. Trace and agree (1) Current Assets; (2) Non-Current Assets; (3) Deferred Outflows of Resources; (4) Current Liabilities; (5) Non-Current Liabilities; and (6) Deferred Inflows of Resources appearing on Form F-60 to the crosswalk or other supporting documentation.

Results: We traced and agreed (1) Current Assets; (2) Non-Current Assets; (3) Deferred Outflows of Resources; (4) Current Liabilities; (5) Non-Current Liabilities; and (6) Deferred Inflows of Resources to the fiscal year 2018 unaudited Statement of Net Position. No exceptions were found as a result of applying the procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on the Authority's conformance with the requirements described above. Additionally, the agreed-upon procedures do not constitute an audit or a review of financial statements or any part thereof, the objective of which is the expression of an opinion or conclusion, respectively, on the financial statements or a part thereof. Accordingly, we do not express such opinions or conclusions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Restriction on Use

This report is intended for the information and use of the Executive Board and Management of the Whatcom Transportation Authority and the FTA, and is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Pat McCarthy

State Auditor

Olympia, WA

April 29, 2019