

# Skagit Transit Exit Conference-Meeting Recording

● **Chris Arkle** started transcription

**CA** **Chris Arkle** 0:03

Yep, there we go. OK. So yeah, so officially starting. So thank you again for the time this morning. I know we're taking up some of your planned meeting time, but I do think it says so much about the ability to not only have this exit conference, but have it in person and you know, have everybody attending from all these different locations. I think the participation in our audit process.

And in today's meeting, it just has a lot, right. So we appreciate those opportunities. So this is, as I mentioned, our exit conference. This is our meeting at the end of the audit where we like to walk through the audits that we performed, the results, make sure that we're being open and transparent about our process and answering any questions that any of you have in your respective ways.

That's really important for that. As we were kind of saying earlier, my name is Dina Garza. I'm the audit manager of the team that's based out of Bellingham. With me today is Scott Hilton, who's the audit supervisor, and then Coleman Brummel, who was the audit lead. And so each of us will be presenting a portion, a few of the slides as we're talking through our different roles.

We are mostly going to be focused on the PowerPoint, but we do have the physical information in front of you as well. So we'll reference as we go through. It really kind of coordinates, but everything that it's, it's mostly everything that we're going to say verbally is in writing here. So it's great either as you're taking notes through or as you walk away.

Coleman also provided it to those attending remotely. We always make sure that even all of the the board members that aren't able to be in attendance today are also getting the communication and and all of the pieces there. Beforehand Coleman, I will just again talk about just briefly that we are talking about the results that these are that these.

Median.

And that we recognize that those have, those have an impact, those have a piece whether it's an internal validation or externally to the citizens of each of the governments that you're representing or you know, if you translate yourself. And so

we like to make sure that we're talking about our intent as an office. One of the biggest things for us is that we want to see we have a. Vision of an increased trust in government. That's really our goal. We want that to support that openness, that transparency, knowing that there's that that independent third party review. But day-to-day it's a very collaborative, very open communication process. We are not what we call gotcha auditors not coming in just to to dot the I's, cross the T's. We want to work with you to complete all.

All the audits that are required by the federal government or by state law and working together to to talk about each of those things. The other goal that we always like to talk about is that our hope is to support the operations that are happening and the improved efficiency and effectiveness of all of our governments. And so whether it's recommendations that come out of the.

About a process or discussions about what we're seeing at other transits around the state or other in other industries of government, because sometimes there's benefit in hearing what cities are running into or schools. And so we just want to keep that openness to see how we can help what's already happening here. So that's our intention throughout the process, but definitely in today's meeting and so we hope that that shows up.

And in the reviews that we have and the explanations and the tone and answering questions, right, just that open and transparency piece. So if you want to hand it to Coleman right now, I think this is part of just really talking about the audit and walking through the the types that we performed this year. Yeah. So for starters, I thank you all for being here as well.

So for starters, we started with our accountability audits. This is one of the three audits that we performed. So we're this year we did a accountability of financial statement audit in a federal single audit as well. I can go back.

Yeah. So we performed those three audits. I'm going to first start by talking about our accountability audit results. So we have the same fiscal year for all three of our audits. So it's going to be our January 1, 2024 through December 31st, 2024 and essentially an accountability audit and the purpose of an accountability audit is to ascertain whether the trend complied with state laws.

Regulations, contracts, grant agreements and its own policies and procedures during the audit period. And in addition, these audits also look at in general if the transit has adequate resources to safeguard public funds. So under the resulting brief heading up on there. So in that blue box you'll see that our audit found the transit's.

Operations complied in all material respects with applicable state laws, regulations and its own policies and provided adequate controls over the safeguarding of public resources. So great work in keeping with general auditing practices. I do like to mention this. We don't examine every transaction as you will see.

So we don't examine every activity, every policy, every internal control area. And so as a result, no information is provided on the areas that we didn't actually look at.

Any questions? Well, how do you choose the things you that's what I'm going to get into. So essentially to determine which areas we need to review during our audit, we use what's called a risk based audit approach. So essentially we review like trends, so the your vendor trend, your payroll trend other.

Financial trends we review the meeting minutes you guys have. We can have staff interviews so I did a risk assessment with you and I did a risk assessment with Chris and Crystal as well and then I did a bunch of other procedures that there's there's a ton so be hard to but based on the risks identified in those procedures we select and judgmental we select.

Areas that we believe that we would like to review and there are some general procedures that we review that I'll kind of get into as well that we review every year. But the first area that we examined and the main area that we examined was tracking and monitoring of theft sensitive assets through a specifically through a view of the parts maintenance and kind of inventory department out out there.

But we specifically review the transit's internal controls over inventory and whether the transit's inventory system and their tracking system matched what was physically on hand just to make sure that those things lined up cause that's that's sounds something we're seeing statewide as a as a more concerning matter.

But yeah, that that went great as as you saw in the last slide. And actually I do want to give a shout out to the guys out there. They were fantastic at what they did. They were more than cooperative that it was super clean time drive system. So yeah, shout out to them if you get the chance to talk to them. Great.

Yeah. But the secondary we reviewed was open public meetings. So like I said, we reviewed the meeting minutes and part of that we we review for open public meetings at compliance. So we review with compliance with meetings, minutes and executive session requirements is another one to look at as well.

Another standard procedure that we do is is review your annual report submission. So there's a state law that requires you guys submit within a few months your financial statements to the state auditor's office are reviewed. And so we reviewed

that and made sure that you guys were in compliance with that with that deadline that the the report was.

Like it's complete, as you say.

And the final area that we reviewed was financial condition. So we look at the transit's financial condition and indicators of financial distress that we might identify. I will say that Scott will talk more about this on the upcoming slides will be kind of look at what tools or you'll see what tools we use to look at that.

And there's some tools that you guys can use as well to to look at your financial health and in transit also statewide.

Any questions before I move on so you can pass it to Scott or something and so the being the the areas that we did look at, we also are required to to talk about anything that we planned to look at but didn't end up finished.

To work on and so, so we did have a few areas that were included in the initial documentation that we sent out for a plan for the audit. And then also throughout the course of the audit we we expanded some of our procedures and communicated with Crystal and Chris and did some expanded work through the audit and they're great about getting us additional information and stuff but it.

It also resulted in we what we communicated was additional audit costs as well. So through all of that we we did, we became aware of the pending litigation and what specifics were in it that that related to some of the areas that we were looking at and were specifically named in the litigation related to those areas we were looking at.

We defer to the legal system and let it play out before before we do any more work in those in those cases. So we paused our work in that area. With that while we did do substantial work in those areas, we didn't finish up on any conclusions and that type of stuff. So we're not reporting any conclusions in those areas and the the three being.

Vehicle purchases and uses that one was in the initial entrance information, also credit card use and travel charges and so so that we are retaining that information in our audit file but we didn't complete the work and so so that's just one thing we want to make sure we communicate to be transparent about that as well.

And I look at those every month too and they're so those things. So there's there's so multiple sites for those to look at. So we feel pretty comfortable with that. Thank you. Any questions about information? Yeah. So no opinions on that because you know, yeah, yeah. And so you'll just like even in the report on page 7, they're not listed.

In the bullet points because they were overdone, essentially taking credit for having

completed that work. Our intention is to retain the work, wait till the litigation is completed, then we'll reassess if we need to revisit it or if we move on from there, which is.

Honoring the court's process.

So going back to what Coleman was talking about on the financial condition, this may not be new to you because it has been developed over the past decade or so. The fit tool is we we're we're really proud of it and just the information that it does provide, but it can provide a really clear picture of the financial state of local governments and everything. We know the transit keeps a really good eye on its financials and then also the board has that information as well. But this is something that our office has pointed towards the public too, so it's information that they can see.

And so it's just taking all the data around the state and putting it up there. That annual report submission that Coleman talked about that is a state law and it is required is gathering all that information by all local governments and so.

What we've just presented up here is just transits across the state and generally what we did is transportation authorities, there's different types of transits that may not be included in this that are under another heading but generally good across the state and then.

Yeah, thank you. Financial intelligence tool. So perfect. So yeah, the nice thing about using it now is all of these things you can kinda click on and go deeper into the information. And so specifically if we're gonna look at scatterpandit on the next slide here we have a screenshot.

BA

**Bill Aslett** 10:54

OK.

CA

**Chris Arkle** 11:04

Of like what it would show for Skagit Pansit up there and it just follows the IT follows the year end information that is submitted. So this is 2024 fiscal year information. The 2025 fiscal information would be updated later in the summer after the deadline is passed and everything to submit that but.

Yeah. And at the point last year and everything, you can see we have an assessment of good for those key ratios that we look at as an office. We know there's a lot of other ratios and relationships and the financials that that you all

consider and have have value on as well, but but that's what's showing.

On our website, is it common to see these three looking good and have something else that's more of an outlier that you don't talk about being like bad? Or is it generally these? So these are the these are the the few that we look at. There's another one like a depth load that is not included up here because the transit doesn't have any.

That's my understanding anyways and and so that's another one we look at. There's there are other indicators and and as you can go deeper down on these and stuff, you can see some of the other information that that supports those numbers. But these are the main ones that we post out there. Yeah, OK, thanks.

What's the current ratio test balance efficiency divided by the E the the current ratio that the the current, the revenues for the year over the OR the is it the you know current the line? Yeah, it's current. So yeah, so if you were to click in each of the it gives the explanation, it gives the data.

And it's either good, cautionary or concerning. And a lot of the conversations we would have with our entities is we recognize these are just the numbers, their stories behind the numbers. But we again want to be transparent to the public that let's say in this case everything looks good. You can have that confirmation if there was.

Does something concerning. We hope that you're aware of it because you're looking at fit and they're able to come to you and get that story. So it's it's not, as you saw in the previous slide, it's not uncommon to have some cautionary things. It may be more that it's a trend, not that we are specifically identifying this transit is a concern, it's one number.

Is.

Up some some further conversations. So we hope that that's happening, but it is kind of nice to compare across transit or to look up other governments that you're interacting with. This is something, especially since COVID, people were really concerned about financial health and so we're just doing it every single year and so you'll you'll see that really repeated as we're we're validating that for the public.

So this is just a surface level or an in-depth look, one of the other that our financial health looks good. Yeah, based on the the arbitrary indicators that we choose of thresholds. If it's above this or below this, we would call it good or or cautionary or.

What's concerning is that is the other term. So I think you'll use like 60 days of average that your fund balance could cover 60 days of average expenditures or I think on some of them we just want positive growth if it's a negative number over

certain years. So all of those are explained if you were to click into each of these titles.

That's a good tool.

**BA** **Bill Aslett** 14:26

Hi, just to clarify, I think I know the answer in the slide it says 4 indicators. It only gives 3 slides is the 4th one that's not there the debt that you mentioned earlier.

**CA** **Chris Arkle** 14:40

Correct. Yeah. And I believe it it says indeterminate or it like grays it out, which is why it's Gray. If you went to the website, it would be farther to the right here. But this is a picture that I snapped off of. I just didn't want to bring that.

**BA** **Bill Aslett** 14:42

OK.

**CA** **Chris Arkle** 14:57

To the to the meeting 'cause it wasn't, um, related to it, but yes, that that's a good point. In this case it's it's not applicable, so.

**BA** **Bill Aslett** 15:01

Sure.

Thank you.

**CA** **Chris Arkle** 15:06

Perfect.

All right. I think that the financial report, Yeah, bank report. So now I'll move to the second audit we conducted, which is our financial statement audit. So essentially we same fiscal year, so January 1st, 2024 through December 31st, 2024. The objective of the financial statement audit is essentially to issue an opinion.

As to whether these statements can be relied upon to make decisions and we are pleased to report that we are issuing an unmodified clean audit opinion on the transit financial statements. This is the opinion that you really want to receive as it provides assurance that the financial statements are stated fairly and are materially. Additionally, it is also important to note that our audits are conducted in accordance

with government auditing standards. Those standards also require that we gain an understanding of the transit's internal controls or process that it goes through to repair the financial statements for audit and should we identify any sort of weakness. That we think could result in significant errors or material errors to the financial statements. We'd be required to bring that to your attention. And again, as we know, we're pleased to report that we reported no weaknesses or concerns to bring to your attention.

If I could pause just really quickly, I'm just seeing the public or what are we waiting on? An account wanting to attend, this is an open public meeting. So you need to be OK if we were to deny or yeah, the you'll post this on. Yeah, it's being posted. OK, thanks.

Lastly, audit standards also require us to consider compliance with applicable laws, regulations, contracts and grant agreements where if we identify non-compliance, it could affect the presentation of the financial statements and we're placed to report again with the we identify no instances of non-compliance that would affect the presentation, so.

Great work.

Also in relation to our financial statement audit, professional standards also state that we share with you if we identified any material misstatements that we identified during the audit period where again we're pleased to report we identified no material misstatements. Additionally, we have to identify to you guys if we identified any uncorrected misstatements in those five.

Audited financial statements and there were no uncorrected statements. We're also required to note as a part of our financial statement audit like some specific risks that we look at every year for special consideration. The first one of these is management overriding controls and essentially this is the risk.

That management may be able to kind of circumvent traditional processes and record entries that wouldn't be supported or accurate. Can you elaborate on that?

Yeah, so essentially like typically what we look at for these processes is we look at like journal entries. So making sure that all journal entries to adjust the financial record and GL are supported and.

Contain approvals and that type of stuff. So we look generally at that for this section of management overriding to really make sure that whoever's preparing is not dental for somebody is not providing that approval. So that's a lot of what we look at that somebody isn't able to if there's an expectation of approval. OK, I'm

gonna read that and thought you were saying.

That we had an issue with. No, no, no. I was like, we just, no, no, no required risk that we use. Yeah, yeah, yeah, it's always controls.

No, I just misread it. No worries. No worries. It's not something specifically we saw here and had to do that. Yeah, right after, I was gonna say we're pleased to share that we identified no recommendation.

Yeah. OK, perfect. Our audit also addressed the implementation of new accounting standards as well. So that the new accounting standard for this period would be Gatsby 101, which is compensated absences. This basically changes the way that compensated absences liabilities reported on the financial statements and then the notes to the financial statements. So we reviewed kind of how the transit.

Implemented the standard and the underlying documentation associated with it along with the financial statements and we identified no significant recommendations to bring forward to you guys.

Awesome. Any any any questions before I move on to our last tech audit? Awesome.

And then the last audit that we did was a federal grant compliance audit or?

Or a federal single audit. So again same fiscal year, so January 1st, 2024 through December 31st, 2024. And the objective of this type of audit is essentially to determine if the transit materially complied with the requirements of receiving federal funding. And we are pleased to report again that we are issuing an unmodified clean audit opinion on the transit's compliance.

With these federal requirements, again, this is the opinion you want to receive as it provides assurance that you're essentially complying with all requirements of the federal grants that we that we reviewed for the audit. Additionally, it's also important to note that our audits are conducted in accordance with the uniform guidance.

So those standards also require that we go in and look at your internal patrols over ensuring compliance with federal grant requirements. And if we identified any sort of weakness that might lead to non-compliance or that would be a significant risk that could lead to non-compliance, we would also be required to bring that to your attention and we noted no instances of that.

So great. Thanks. Moving on. So when we are selecting federal grant programs for our audit, we have to basically satisfy coverage requirements set by federal guidelines. So for you guys that would be 40% of your expenditures reported on your schedule of expenditures of federal awards.

A financial statement that you guys prepare each year, depending on how many,

depending on your federal grants that you've received and if you've received any. And if you're over a \$750,000 threshold for this year and then going up next year, I believe it's \$1 million. You're required to receive a federal single audit. Except for this audit in general, we selected the federal transit cluster for inclusion.

Because it made-up about 90% of your total federal expenditures for fiscal year 2024. And then as I mentioned on the prior audit, we identified no instances of non-compliance with those federal grant requirements. So great work.

Any questions before I move on and pass it off to Dina for report publication?

Sweet. So kind of where we go from here. So the reports that are in the packets that you see are draft mostly because we want to bring them to you before we publish them on our website. We don't intend for any of the language change, just the draft watermark on the site. So that will happen early next week.

Other things that happen when the report is published, because we have a federal grant compliance, I'll be working with Chris to submit to the federal clearinghouse of the feds or wait to tell them the report is done and the results of that. So we try and make that a pretty easy process. The other piece that happens is that anybody who is signed up to release.

Receive notifications of our reports, we'll receive those emails. So that always comes to you the day before it's published, but any newspapers, public, etc. And so that's part of the link that we have both on our slide and in our packet if anybody else is interested either in receiving that notification or in personalizing the notification. So if you want to know about.

Other Skagit County local governments, other transit statewide, you can really personalize it. Some of our entities will do, let's say, funding or transit statewide. You just kind of know those emerging issues. And so those are always available on our website in a search tool. But being able to have those notifications has been really great for a lot of myself and our staff.

And then the final thing that happens when the report comes out is the release of an audit survey. And so that comes very intentionally in an e-mail form, I believe to Chris having day-to-day contact, but in a format in that way so that it can be forwarded on to anybody else that we interacted with. It asks about a lot of the stuff in our interactions and our reports that you could expect as.

As well as areas like what area do you find the most value or benefit in. It's really helpful for us to be aware of that continuously and and try and tailor our interactions where we can. So we appreciate in advance any time anybody spends on that. Will I

be included then since we interviewed, since you interviewed me, am I included in the survey then? It's not in maybe in the initial.

But yeah, yeah, I do like to say that because also in the age of cybersecurity, anything that's an e-mail and a link, you know, we always tell people to be cautionary. I'll let you know that that we have looked at other ways to provide that and it just, it makes the most sense. So yeah, you can pass that off. That would be great.

**BA** **Bill Aslett** 23:50

Yeah.

**CA** **Chris Arkle** 23:57

Moving on, so we always circle back on the audit cost. So we had talked about the the previously communicated one time increase for some of those risks that we had looked into. So that you will see that reflected in our final invoices that'll come out later this month.

And then next audit, so again we're talking 2026 doing the annual reviews. Right now we're planning on an accountability at financial and federal based on conversations that we've had. So estimated cost for that is in our packet. I believe we were all talking fall, so we've got some time in between audits, but so.

As we get closer, we'll definitely communicate that it's ideal for those federal programs audits to be done before the end of September, but because they're not a required annual thing, it gives us all some flexibility. So we'll definitely talk about that and see if that's something we want to aim for. Um, if it works for you and your staff, that IT audit too, that's going correct. That's right. So that's the other.

Part is that we also look at anytime there's a system conversion, you guys obviously have one of those. And so we are that work is currently being performed with the intention that it will be part of the accountability audit. So we will take credit in that. This budget is part of that. So you're already seeing some of that work happening that we'll take credit.

And this and this is for fiscal year 25, correct? Correct. Yeah. So it's in 21, correct. So it's. Yeah. Yeah. Yeah. So it's in December of 2025 that we will review later this year. Yeah. No, that's a great clarity. I mean, since this is our first school year too in the new payroll system, yeah.

Yeah, we like to look at those timely and we've got some some great specials that we can pull in to do that work. So and so next I believe is, yeah, just wanting to to voice

our appreciation again, very collaborative. We have great opportunities to come on site and be hosted here and we really appreciate it. There's a lot of efficiency when we're able to.

To do that. And so just voice in our our thanks there before we go ahead and go to the next slide and just really open it back up if there are any questions, comments, statements, anything else we can provide any helpful detail on.

I will just say it was again a pleasure working with you guys. Really appreciate the collaboration and it's a great experience. Yeah, in person, whatever you guys want.

Hopefully they did. I mean, given our space constraints, I think in the hybrid.

Like once a week or when there's specific things. Yeah, I think it's been very beneficial. So I'm glad that that was for you guys too. Yeah. No, it's just great to be able to see you guys and work with you personally. Totally. Yeah. OK. Yeah. The phone calls with you are very. They're great. I was going, uh oh, you never going to hear from an auditor, right?

No, no, it's just very thoughtful for him and I felt not going. That's just what I would expect to have asked. It was perfect. Thank you, Mayor. Any closing thoughts?

Questions.

BA

**Bill Aslett** 27:02

No, just again thanking the the auditors for the time and effort and completeness of the audit they've done and appreciate the staff's work to to make sure they got all the information necessary to complete it and.

Great job to everyone as well, so thank you to all.

CA

**Chris Arkle** 27:23

Yes. Thank you, Chris. Great job to you and Becca. And yes, thank you. OK. And then that's all that we have today. OK, stop the recording. Yes.

● **Chris Arkle** stopped transcription