



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

January 18, 2024

Board of Directors
Skagit County Public Transportation Benefit Area (Skagit Transit)
Burlington, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of Skagit Transit from January 1, 2021 through December 31, 2022. We believe our recommendations will assist you in improving the Authority's internal controls in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Authority officials and personnel. If you have any further questions, please contact me at 360-676-2165.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

Sincerely,

Deena Garza, Audit Manager

Attachment

Management Letter

Skagit Transit

January 1, 2021 through December 31, 2022

Disbursement policies and procedures

Skagit Transit spent about \$3 million and \$4 million in general disbursements to suppliers for goods and services in fiscal years 2021 and 2022, respectively. Skagit Transit is responsible for establishing effective controls and setting specific policies for monitoring and reviewing disbursements to ensure public resources are adequately safeguarded, supported, and used for allowable business purposes. Our audit found that Skagit Transit did not have adequate internal controls to ensure disbursements were accurate, supported, and allowable. We tested 30 disbursements and identified the following concerns:

- According to Transit policy, “All capital purchases must be approved by the Manager of Finance and Administration prior to purchase.” Additionally, the Transit’s purchase forms require the signature of the purchaser to be valid. We identified one capital purchase that was not approved by the Manager of Finance and Administration prior to purchase, and two instances where the purchase form was not signed.
- The Transit’s process for reviewing employee’s purchase card statements does not consistently document a timely, secondary review of transactions. We identified two instances where this review was not documented as having been performed.
- The Transit’s travel reimbursement policies do not currently provide for travel reimbursements made to nonemployees. We identified one such reimbursement totaling \$1,148.
- Employee recognition programs are allowable if there is a policy that states the public purpose of the recognition and sets reasonable and prudent limits for recognition activities. The amounts need to be included in the policy and the policy needs to be set up to ensure that the rewards are for employee recognition and not gifting. The entity would also need to ensure that all employee compensation is properly reported for individual employee tax purposes. Skagit Transit does not currently have a policy regarding employee recognition. Transit has spent \$26,000 in employee recognition from the beginning of 2022 through to September 30, 2023.
- Transit does not have a policy regarding providing refreshments at meetings or events, but has purchased such items. To demonstrate the provision of meals and/or refreshments is an appropriate use of public funds, Transit should maintain documentation sufficient to note who consumed the food and beverages, what type of food and beverages were consumed, and the public purpose for providing them.
- During July 2023, while the Chief Financial Officer was on paid administrative leave, their signature stamp was used to approve \$554,971 in transactions. This was reported as a potential loss of public funds to our office. We investigated the concerns as part of our

accountability audit including review of the transactions. We did not find evidence of a loss of public funds as all transactions were determined to be valid and were reviewed by others within Transit. However, the use of someone else's signature stamp constitutes an inadequate control structure and should be avoided at all costs, as it causes the documentation to be inaccurate and indicates a proper segregation of duties that did not actually occur.

We recommend that Transit implement policies to address areas of heightened risk identified above and improve control structures to ensure that independent secondary reviews occur, especially during an employee's absence.