



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

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

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To the Director and Management of Department of Ecology

We have performed the procedures enumerated below, which were agreed to by the management of Department of Ecology, related to the Agency's Air Operating Permit (AOP) program and the Agency's compliance with program requirements established by Chapter 70.94.161-.162 of the Revised Code of Washington and Chapter 173-401 of the Washington Administrative Code, for the periods ended June 30, 2017 and 2016.

The Agency's management is responsible for managing the AOP program, compliance with these requirements, and for the accuracy of its financial records. The sufficiency of these procedures is solely the responsibility of those 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.

**Agreed Upon Procedures**

In relation to the Washington State Department of Ecology's Air Operating Permit (AOP) program, we performed the following procedures:

**Collection of Fees**

1. Inspect Ecology's written procedure for developing, assessing and collecting fees from its sources and determine whether it is more than three years old.

*Results:* We inspected the Department of Ecology’s Air Operating Permit Guidance Document and determined that it was last updated April 2016, which is within the last three years.

2. Compare total fees invoiced for the engagement period to total amount received to ensure all invoiced amounts were collected.

*Results:* We compared the amount invoiced to the amount received as follows:

<b>Fiscal Year</b>	<b>Invoiced</b>	<b>Received</b>	<b>Difference</b>
2016	\$1,680,450	\$1,679,559	\$892
2017	\$1,516,185	\$1,514,945	\$1,240

3. If total fees invoiced for the engagement period does not equal the amount received, determine the amount of, and the reason for, any shortfalls or overages.

*Results:* The excess revenue in fiscal year 2016 was due to an adjustment of an air operating permit close mid-fiscal year. The excess in fiscal year 2017 was due to adjustments and one refund.

4. Inspect a judgmental selection of AOP permit accounts receivables for each fiscal year and determine whether late fees have been assessed, in accordance with Ecology’s fee schedule, for fees collected after February 28th and collection measures were initiated in accordance with Ecology policies and procedures.

*Results:* We inspected aging reports and did not identify any delinquent accounts. Therefore this procedure was not performed.

**Computation of Fees**

5. For a judgmental selection of AOP permits issued during the engagement period, recalculate the amount invoiced to ensure fees were calculated correctly using the workload analysis and are consistent with fee schedule.

*Results:* We recalculated the amount invoiced for twenty AOP permits issued during the engagement period and determined all fees were calculated correctly and are consistent with the fee schedule.

6. Identify facilities that were closed during the engagement period and recalculate fees charged to confirm their accuracy.

*Results:* We determined no facilities closed during the engagement period.

7. Confirm Ecology is performing an analysis of all potential operating permit sources on an annual basis.

*Results:* We obtained an understanding of the AOP program's monitoring procedures and confirmed it was analyzing all potential operating permit sources on an annual basis.

### **Timely Distribution of Billing Statements**

8. Inspect invoice (preliminary statement) dates for each fiscal year and determine whether Ecology distributed the following invoices by the deadline for each fiscal year.

- a. Preliminary invoices to permit program sources on or before July 31st
- b. Invoices for emission fees not later than January 31st
- c. Final invoices (for Development and Oversight costs) to local air authorities on or before October 31st

*Results:* We inspected all invoices and preliminary statements and determined that they were distributed by the appropriate deadline.

### **Revenue and Expenditure Accounting**

9. Identify which fund or accounts are used to account for AOP revenue and expenses.

*Results:* We identified the Air Operating Permit account as the fund used to account for all AOP program revenues and expenses.

10. Inspect all Ecology funds and accounts used to account for AOP revenue and expenses and determine whether AOP revenue and expenses are commingled with other revenue sources or expenses.

*Results:* We inspected the fund used to account for AOP program revenue and expenses, and determined that program revenues and expenses were not commingled with any other revenue sources or expenses.

11. Judgmentally select expenses accounted for in non-AOP accounts during the engagement period and inspect supporting documentation to determine whether they were for AOP activities.

*Results:* We inspected a selection of ten expenses from three non-AOP program accounts and determined none were for AOP program activities.

### **Authorized Activities**

12. Judgmentally select AOP program expenses (including payroll) for the engagement period and inspect supporting documentation to determine whether they were for allowable program activities.

*Results:* We inspected a selection of ten AOP program expenses (including payroll) for the engagement period and determined all were allowable per WAC 173-401-941.

13. Inspect supporting documentation for a judgmental selection of tasks billed for during the engagement period and determine whether they were completed.

*Results:* Due to the nature of estimation used in the billing process it was determined that this procedure would not be performed.

14. Inspect Ecology's indirect cost allocations and determine whether indirect costs were also charged to the program as direct costs.

*Results:* We inspected the Department's indirect cost allocation policy and inspected support allowing us to determine that indirect costs were not charged to the program as direct costs.

### **Available Funds**

15. Inspect the balance sheet for Fund 219 (AOP program account) to determine if the AOP program had a negative fund balance at any time during the engagement period.

*Results:* We inspected all month balance sheets for the AOP program account during our engagement period. The program is still in the process of building the working capital reserve; we determined one month for which the fund had a negative balance. December 2015 had a balance of negative \$18,367.

16. Identify whether program revenues were in excess or under actual program costs during the engagement period and determine whether Ecology followed its policy for handling excess program revenue.

*Results:* Since the program is in the process of building up the working capital reserve in order to maintain a positive cash balance we noted for both fiscal years in our engagement period program revenues were in excess of program costs.

17. To ensure all Title V facilities are billed for permit fees, perform a query of all Title V sources and synthetic minors and determine whether all were billed for permit fees on an annual basis.

*Results:* We obtained a listing of all Title V sources and ensured during our inspection of invoice distribution that each of the Title V facilities was billed for permit fees on an annual basis. No exceptions were found as a result of applying this procedure.

18. Determine whether there was a budget decrease or increase during the engagement period, and if so, the percentage amount of the increase or decrease and reason for the change.

*Results:* We determined that there was a budget decrease of 9.78 percent during our engagement period. AOP staff explained that the budget decrease is due to reduced total hours needed for Delegation/Regulation and Program Development for Ecology program development section and reduced total hours needed for permit processing for Ecology's Industrial section and Nuclear Waste Program.

19. Confirm the most current wages and benefits for a judgmental selection of program employees were used when establishing the program budget.

*Results:* We inspected salary information for a selection of fifteen AOP program employees and determined the most current wages and benefits had been used when establishing the program budget.

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 on the financial information of the Agency's AOP program, on compliance with specified requirements, or on the internal control over compliance with the specified requirements. Additionally, the agreed-upon procedures do not constitute an audit or 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 an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended for the information and use of the Director and Management of the Department of Ecology and is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Sarah Saavedra, MBA, CPA

Program Manager

Washington State Auditor's Office

Olympia, Washington

July 5, 2018