

NOTES TO THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
THE 520 CIVIL PENALTY ACCOUNT
STATE FISCAL YEAR 2013, QUARTER ENDED JUNE 30, 2013

| | NOTES | JULY THROUGH MARCH | APRIL THROUGH JUNE | YEAR-TO-DATE |
|---|--------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUES | | | | |
| Civil penalty | 1 | \$ 2,766,599 | \$ 6,383,956 | \$ 9,150,555 |
| Interest income | | 2,345 | 1,916 | 4,261 |
| TOTAL REVENUES | | <u>2,768,944</u> | <u>6,385,872</u> | <u>9,154,816</u> |
| EXPENDITURES | | | | |
| Goods and Services | | | | |
| Adjudication system vendor contract | 2 | 489,540 | 251,923 | 741,463 |
| Other | 3 | 411,678 | 169,571 | 581,249 |
| Total Goods and Services | | <u>901,218</u> | <u>421,494</u> | <u>1,322,712</u> |
| Salaries and benefits | | <u>101,846</u> | <u>43,997</u> | <u>145,843</u> |
| TOTAL EXPENDITURES | | <u>1,003,064</u> | <u>465,491</u> | <u>1,468,555</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | | <u>1,765,880</u> | <u>5,920,381</u> | <u>7,686,261</u> |
| NET CHANGE IN FUND BALANCE | | 1,765,880 | 5,920,381 | 7,686,261 |
| FUND BALANCE - BEGINNING | | <u>1,604,290</u> | <u>3,370,170</u> | <u>1,604,290</u> |
| FUND BALANCE - ENDING | | <u>\$ 3,370,170</u> | <u>\$ 9,290,551</u> | <u>\$ 9,290,551</u> |

The notes to the financial statements are an integral part of this statement.

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Backlogged Financial Reconciliations – In December 2011 WSDOT began tolling operations on the 520 Bridge with Electronic Transaction Consultants Corporation (ETCC) as the toll vendor. The ETCC system encountered problems in the accuracy and timeliness of recording revenue and other accounting transactions. WSDOT and ETCC have investigated and corrected accounting records for known discrepancies. At this time, ETCC has not completed key reconciliations which ensure timely and accurate processing of financial transactions and accurate system reporting. Upon completion of these reconciliations, any discrepancies identified will be addressed and necessary correcting adjustments will be made.

Reports in the Subsidiary Accounting System for Tolling - After the close of the fiscal year, WSDOT determined, through independent audits, that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contained weaknesses in internal control requiring revision to existing procedures and protocols. The results of the audit findings provide concern to WSDOT, and we will take appropriate actions to remediate the issues. WSDOT will aggressively pursue actions by our contracted service provider to remediate deficiencies identified through these independent audits, as we are committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

Operating Transfer - Pursuant to RCW 47.56.876, the Legislature may transfer excess fund balance from the 520 Civil Penalties Account to the 520 Bridge Account for capital expenditures on the SR 520 Corridor. In order to transfer the funds the State Treasurer's Office must be provided administrative transfer authority. For the 2013-15 biennium, the Legislature provided authority in ESSB 5024, Section 407(9) to transfer \$886,000.

Detailed Notes

1. **Civil Penalty Revenue** – Revenue earned when any of the following conditions exist: (a) Payment of Notice of Civil Penalty is received, or (b) Notice of Civil Penalty payment due date passes without receiving a request for an administrative hearing, or (c) an Administrative Law Judge upholds the Notice of Civil Penalty.
2. **The Adjudication System Vendor Contract** – share of the adjudication system vendor contract with ETCC for the adjudication system module.
3. **Other Goods and Services** – Expenditures for the 520 bridge's share of adjudication costs including supplies, communications, credit card fees, Office of Administrative Hearings costs, and salaries and benefits of WSDOT staff.