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Subject: Interstate Navigation Company Status Report to the Public Utilities Commission (PUC) regarding Earnings Report, Annual Report, and software search.

Dear Mike,

This letter is the Interstate Navigation Company “Status Report” requested by the PUC. This report provides the status of the FY 2019 Earnings (ROE) Report and Annual report, as well as the status of our new software search.

FY 2019 Earnings Report

The FY 2019 Earnings Report cannot be completed until the FY 2019 Annual Report is completed. The financial data required for the Earnings Report are taken directly from the Annual Report and the data is cross referenced to pages from the Annual Report. The Earnings Report for FY 2019 has not been completed to date because it is still awaiting the completion of the FY 2019 Annual Report. Once the Annual Report is finished, it should only take 3 to 4 business days to turn around the Earnings Report.

FY 2019 Annual Report

The FY 2019 Annual Report cannot be completed until the FY 2019 financial statements are completed. As mentioned in our response to Commission data request 6-10, Docket 4373 – (December 5, 2019 Settlement on ROE filing), as of December 30, 2019, “the expenditure side of Interstate’s general ledger has been posted, but it still needs some adjustments for year-end accruals. The income side of the general ledger only had the first seven months posted to the accounting system. However, along with posting the remaining five months, these accounts still need to be reconciled for year-end accruals as well.”

Since December 30, 2019, Interstate's management has taken significant steps to speed up the process by hiring additional temporary staff to assist with data entry of the remaining income from the billing system to the accounting system. That work was completed within the past week.

Because the year-end Financial Statement require a financial review, Interstate has retained their outside accountant, Lisa Peabody CPA, to post all year-end adjustments and prepare the work papers for the financial review needed to support the ending financial numbers.

Under Generally Accepted Accounting Standards, the accountant who prepares the financial entries cannot be the same accountant who performs the financial review. B&E Consulting, LLC (B&E) performs the financial review. B&E will also prepare the Annual Report and the Earnings Report.

Despite this being tax season for Ms. Peabody, she is currently making every effort to complete the year-end adjustments and prepare the work papers for the financial review as soon as possible.

B&E is prepared to prioritize the preparation of the reports once the information is received from Ms. Peabody.

Interstate hoped to have the financials, Annual Report and Earnings Report completed by the end of March, however this will not be reasonable for all three reports. Realistically, Interstate is likely to need another month to complete the financials, Annual Report and Earnings Report.

Status of the New Accounting System

As mentioned in Interstate's response to Commission data request 6-10, Docket 4373 – (December 5, 2019 Settlement on ROE filing), Interstate currently maintains two different software programs to handle its main general ledger and its billing system. The billing system handles the ticket generation and collections and it must be manually posted to the accounting system. This dual software approach delays the timeliness of the financial data. Interstate's Board, at its June 2019 annual meeting, authorized me to investigate an integrated system to help Interstate prepare more timely reports.

Unfortunately, because there are not thousands of regulated ferry operations, it has been difficult for me to find many companies to reach out to in order to research what systems they use.

Furthermore, many of the smaller ferry operations do not service a full mix of passengers, vehicles and freight. As a result, there was no reason for me to reach out to any company that did not have the same mix of service as Interstate.

I started my search locally. The Prudence Island Ferry and The Cross-Sound Ferry both utilize Interstate's current approach of a separate billing and accounting systems. I also reached out to the Maine DOT which runs many smaller ferry services. It utilizes an integrated municipal system but it is not be available to Interstate. I also reached out to Bay Ferries Limited which runs the Maine to Nova Scotia ferry, but we have not heard back from them to date.

I did find one promising contact, that being the Casco Bay Lines in Maine. Casco Bay Lines is a non-profit regulated ferry service which services Portland Maine and the Islands of Casco Bay. Casco's operation is of similar size to Interstate and has a full mix of passengers, vehicles and freight. I was able to make an initial contact on February 19th with their director of finance. However, he called me during a scheduling meeting at the Commission and I could not speak long with him. He informed me that his company did an extensive search for an accounting system a few years back and that he would call me back later that day, but he did not do so. I have tried several times without success to reach him again by leaving phone messages and sending emails. I even tried today without success. I'm not hopeful that I will reach him soon given current conditions due to the virus emergency.

Fortunately, there appears to be another solution. In addition to reaching out to other ferries, I reached out to Interstate's external IT support company. They have found a package that should integrate with Interstate's current billing system. I have not been able to review the package yet, but Jon Synderman of Interstate's external IT support company and I have agreed to meet remotely to discuss this option. His current schedule is full because he is setting up remote access for his customers, due to the virus emergency, so we are trying to schedule something for next month. He would also like to change out Interstate's current Peachtree Accounting system because it will not be compatible with future hardware upgrades.

If I can be of any additional assistance, please do not hesitate to contact me directly.

Sincerely

David G. Bebyn CPA
President