

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2014-001 Internal Controls Over Revenues and Expenses

Background

The Commission lacks adequate internal controls over revenues and expenses increasing the risk of misuse, loss and misappropriation of public resources.

Description of Condition

The Commission reported \$46,459 and \$29,257 in revenues and \$50,281 and \$5,238 in expenses for fiscal years 2013 and 2014, respectively. However, the Commission did not retain documentation to support most of the transactions.

The following concerns were identified during the audit. The Commission:

- Could only provide documentation to support \$26,791 of assessment revenue over the two-year period.
- Found \$7,638 in unopened assessment checks that were not deposited until the following fiscal year in June 2014.
- Could only provide documentation to support \$3,704 of expenses over the two-year period.
- Found \$5,082 in unpaid invoices that were not paid until the following fiscal year in June 2014.

Cause of Condition

Commission management has not effectively implemented internal controls or policies and procedures to ensure it complies with state laws to support public purpose of every transaction and prevent the loss of public funds.

The Commission hired a new management company in June 2014. The prior management company did not maintain or provide adequate documentation for the audit period. We were unable to locate or contact the prior management company.

Effect of Condition

Without maintaining proper documentation, in accordance with state law, the Commission was not able to demonstrate that a majority of the payments were for a valid public purpose or that all revenues received were deposited. Inadequate

internal controls such as these increase the risk that misuse, loss or misappropriation could occur and not be detected in a timely manner, if at all, by Commission officials.

In addition, the Commission could lose public trust when it cannot support that the payments were for a public purpose.

Recommendation

We recommend the new management company obtain documentation, contact vendors and/or follow up on the revenues occurring during fiscal years 2013 and 2014 to ensure all transactions were in support of a public purpose and all revenues received were deposited.

We further recommend the Commission improve internal controls over expenses and revenues to ensure appropriate use of public funds and reduce the risk of misuse, loss and misappropriation of public resources. We specifically recommend the Commission:

- Require and retain supporting documentation for all payments and receipts to demonstrate the public purpose, deposit of revenues and compliance with state laws.
- Establish monitoring procedures over all payments and receipts to safeguard public assets.

Commission's Response

The audit found the Commission lacked adequate internal controls over revenue and expenses. With the change in administration, one of the first things we did was adopt policies and procedures describing in detail the process the Commission administrators will follow when receiving and expending Commission funds. These policies and procedures are similar to those we have in place with the other three commissions that we serve as administrators for.

As new administrators, we have tried to work with the past administration to obtain all of the files that had been kept for the Commission. After many attempts, contact was made and the files they had were delivered. Upon receipt of the files it was made clear that either all the files were not delivered, or the past administration had not kept accurate records for many years.

Once we were hired to provide administrative services to the Oilseeds Commission, we worked with the Commissioners to identify any outstanding invoices that needed to be paid. We reached out to those vendors and paid all

known outstanding bills. We also have reached out to the first handlers, introducing us as the new administration and reminded them about the process of collecting and submitting the assessment on behalf of the growers.

On behalf of the Commission and the new administration provided by Ag Association Management, we would like to thank you for the time spent in conducting this audit. We assure you that the new administration have taken the necessary steps to correct these issues. We pride ourselves in having finding free audits and will continue to work to correct these issues and to build the trust of the Commissioners, Oilseeds Growers and those involved in the Oilseeds Industry.

Policies and Procedures

Cash Receipts Procedure

The purpose of the Cash Receipts procedure is to outline the way in which employees employed by Ag Association Management handle incoming grower's assessments and other incoming cash receipts.

- 1. Mail gathered daily from locked mailbox outside Ag Association Management office*
- 2. Cash receipts opened*
- 3. Mark cash receipts and assessment transmittal forms with paid stamp, include check number, date and amount of check*
- 4. Fill out deposit slip*
- 5. Stamp check with bank deposit endorsement stamp*
- 6. Enter check amount into accounting software (QuickBooks)*
- 7. Executive Director reviews and initials assessment transmittal forms near the date received stamp*
- 8. Deposit cash receipts into bank account on the same day as received*

Disbursement Procedure

The purpose of the Disbursements procedure is to clearly define the method in which disbursements are processed and paid.

- 1. Invoice received*

2. *Executive Director reviews invoice*
3. *Check is cut*
4. *Authorized signer(s) on account sign the check and initial the invoice*
5. *Check is mail out*

Reimbursement Procedure

The purpose of the Reimbursement procedure is to clearly define the method in which reimbursement checks are processed and paid.

1. *Authorize reimbursement form filled out and signed*
2. *Receipts and other documentation attached to reimbursement form*
3. *Reimbursement stamped with date received*
4. *Reimbursement form signed off by Executive Director*
5. *Executive Director initials next to date received stamp on reimbursement form*
6. *Check is cut*
7. *Authorized signer(s) on account sign the check and initial the invoice*
8. *Check is mailed out*

Auditor's Remarks

We thank the Commission for its response and appreciate the steps it is taking to resolve this issue. We will follow up with the Commission's corrective action during the next audit.

Applicable Laws and Regulations

RCW 15.65.490, Records of financial transactions to be kept by director – Audits, states:

The director and each of his or her designees shall keep or cause to be kept separately for each agreement and order in accordance with accepted standards of good accounting practice, accurate records of all assessments, collections, receipts, deposits, withdrawals, disbursements, paid outs, moneys, and other financial transactions made and done pursuant to such order or agreement, and the same

shall be audited at least every five years subject to procedures and methods lawfully prescribed by the state auditor. The books and accounts maintained under every such agreement and order shall be closed as of the last day of each fiscal year of the state of Washington or of a fiscal year determined by the director. A copy of every such audit shall be delivered within thirty days after the completion thereof to the governor and the commodity board of the agreement or order concerned.

RCW 43.09.200, Local government accounting, Uniform system of accounting, states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons. The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

RCW 40.14.010, Definition and classification of public records, states in part:

As used in this chapter, the term "public records" shall include any paper, correspondence, completed form, bound record book, photograph, film, sound recording, map drawing, machine-readable material, compact disc meeting current industry ISO specifications, or other document, regardless of physical form or characteristics, and including such copies thereof, that have been made by or received by any agency of the state of Washington in connection with the transaction of public business, and legislative records as described in RCW 40.14.100.

For the purposes of this chapter, public records shall be classified as follows:

- (1) Official public records shall include all original vouchers, receipts, and other documents necessary to

isolate and prove the validity of every transaction relating to the receipt, use, and disposition of all public property and public income from all sources whatsoever; all agreements and contracts to which the state of Washington or any agency thereof may be a party; all fidelity, surety, and performance bonds; all claims filed against the state of Washington or any agency thereof; all records or documents required by law to be filed with or kept by any agency of the state of Washington; all legislative records as defined in RCW 40.14.100; and all other documents or records determined by the records committee, created in RCW 40.14.050, to be official public records.

RCW 40.14.060, Destruction, disposition of official public records or office files and memoranda; Record retention schedules, states in part:

(1) Any destruction of official public records shall be pursuant to a schedule approved under RCW 40.14.050. Official public records shall not be destroyed unless:

(a) Except as provided under RCW 40.14.070(2)(b), the records are six or more years old;

(b) The department of origin of the records has made a satisfactory showing to the state records committee that the retention of the records for a minimum of six years is both unnecessary and uneconomical, particularly if lesser federal retention periods for records generated by the state under federal programs have been established; or

(c) The originals of official public records less than six years old have been copied or reproduced by any photographic or other process approved by the state archivist which accurately reproduces or forms a durable medium for so reproducing the original.

(2) Any lesser term of retention than six years must have the additional approval of the director of financial management, the state auditor and the attorney general, except when records have federal retention guidelines the state records committee may adjust the retention period accordingly. An automatic reduction of retention periods from seven to six years for official public records on record retention schedules existing on June 10, 1982, shall not

be made, but the same shall be reviewed individually by the state records committee for approval or disapproval of the change to a retention period of six years.

Recommendations for the destruction or disposition of office files and memoranda shall be submitted to the records committee upon approved forms prepared by the records officer of the agency concerned and the archivist. The committee shall determine the period of time that any office file or memorandum shall be preserved and may authorize the division of archives and records management to arrange for its destruction or disposition.

WAC 16-573-040, Assessments and collections, states in part:

(1) Assessments.

(a) The assessment on all varieties of oilseeds subject to this marketing order shall be ten cents per hundredweight and shall be deducted by the first purchaser from the price paid to the grower. The assessment shall be remitted to the board in accordance with procedures adopted by the board.

(b) The assessments shall not be payable on any oilseeds used by the producer on their premises for feed, seed and personal consumption.

(2) Collections. Excess moneys collected by the board under this order during the fiscal year may be carried over and used during the next successive fiscal year. The board may also recommend that excess moneys at the close of a fiscal year be refunded on a pro rata basis to the producers from whom the moneys were collected.

(3) Penalties. Any due and payable assessment levied in the specified amount as may be determined by the board under the act and this order is a personal debt of the person assessed or who owes the debt, and it is due and payable to the board when payment is called for by the board. If a person fails to pay the board the full amount of the assessment by the date due, the board may add to the unpaid assessment or sum an amount not exceeding ten percent of the amount owed. In the event of failure of the person or persons to pay the full amount due, the board may bring a civil action against the person or persons in a state court of

competent jurisdiction for the collection thereof, together with the above specified ten percent, and the action shall be tried and judgment rendered as in any other cause of action for debt due and payable.

WAC 16-573-041, Time-Place-Method for payment and collection of assessments, states in part:

Effective with the growing season of 1998, the following procedure is established for the reporting and paying of assessments levied pursuant to RCW 15.65.410 and WAC 16-573-040:

- (1) All first handlers of oilseeds grown in the state of Washington, or the person acting on behalf of a first buyer, shall withhold the amount of assessment from their remittance to growers of oilseeds and transmit it to the board.
- (2) All assessments will be due and payable to the board within thirty days of collection. With the submission of the assessments, a report listing the name, address, volume handled or purchased and amount deducted or collected for each producer must be submitted to the board on forms provided by or approved by the board.
- (3) Any assessments paid after the above deadlines shall be accompanied by a penalty fee of ten percent in accordance with RCW 15.65.440 of the act.