

**Washington State Auditor's Office**  
**Accountability Audit Report**

---

**Seattle Chinatown International District  
Preservation and Development Authority  
King County**

Report Date  
**February 14, 2013**

**Report No. 1009337**

Issue Date  
**March 18, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

March 18, 2013

Council  
Seattle Chinatown International District Preservation and Development Authority  
Seattle, Washington

***Report on Accountability***

We appreciate the opportunity to work in cooperation with your Authority to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Seattle Chinatown International District Preservation and Development Authority's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

**TROY KELLEY**  
STATE AUDITOR

# Table of Contents

**Seattle Chinatown International District Preservation and  
Development Authority  
King County  
February 14, 2013**

Audit Summary .....	1
Related Reports .....	2
Description of the Authority .....	3
Status of Prior Audit Findings .....	5

# **Audit Summary**

**Seattle Chinatown International District Preservation and  
Development Authority  
King County  
February 14, 2013**

## ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the Seattle Chinatown International District Preservation and Development Authority from January 1, 2011 through December 31, 2011.

We evaluated internal controls and performed audit procedures on the activities of the Authority. We also determined whether the Authority complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Open Public Meetings Act
- Expenditures and credit card use
- Procurement requirements
- Payroll/personnel
- Rights and obligations

## ***RESULTS***

In most areas, the Authority complied with state laws and regulations and its own policies and procedures.

However, we noted certain matters that we communicated to Authority management. We appreciate the Authority's commitment to resolving those matters.

## **Related Reports**

**Seattle Chinatown International District Preservation and  
Development Authority  
King County  
February 14, 2013**

### ***FINANCIAL***

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available from the Authority.

### ***FEDERAL GRANT PROGRAMS***

A firm of certified public accountants evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Authority's major federal programs. That firm's report is available from the Authority.

# **Description of the Authority**

## **Seattle Chinatown International District Preservation and Development Authority King County February 14, 2013**

### ***ABOUT THE AUTHORITY***

The Seattle Chinatown International District Preservation and Development Authority was established by a charter issued by the city of Seattle on December 16, 1975. The purpose of the Authority is to preserve, promote and develop the Seattle Chinatown-International District as a vibrant community and unique ethnic neighborhood.

The Authority owns or manages 353 low-income residential units and 130,000 square feet of commercial and retail space. The majority of the residential properties provide low-income housing. The most significant properties are:

- Bush Annex, which houses the Northwest Asian America Theater.
- Legacy House, which provides multi-cultural senior housing and services.
- International District Village Square, which provides centralized resources for health care, mental health, social services, pre-school and child care, employment services, senior advocacy, supportive care and housing.
- IDEA Space, which serves as a catalyst for responsible neighborhood investment and a vehicle for strengthening community involvement in revitalization efforts.

The Authority is governed by a Council of up to 17 members. The Mayor of the city of Seattle appoints four members; the constituency of the Authority elects four members, the Authority's Council elects four members and an additional one to five members as selected by the Council. All members of the Authority's Council are confirmed by the Seattle City Council. The City does not consider the Authority to be a component unit. The Authority is supported primarily through service agreements and rental income. The Authority's 2011 operating revenue was approximately \$6 million and it had approximately 102 employees.

## ***ELECTED OFFICIALS***

These officials served during the audit period:

Council:

Michael Wu, Chair  
Mike Omura, Vice Chair  
David Chang, MD, Treasurer  
David Namura, Secretary  
Albert Shen  
Jennifer Phang  
Josephine Tamayo Murray  
Jiawen Shi  
Karen Yoshitomi  
Mark Williams  
Scott Yasui  
Rita Borgan

## ***APPOINTED OFFICIALS***

Executive Director

Maiko Winkler-Chin

## ***AUTHORITY CONTACT INFORMATION***

Address: Seattle Chinatown International District Preservation and  
Development Authority  
P.O. Box 3302  
Seattle, WA 98114

Phone: (206) 624-8929

Website: [www.scidpda.org](http://www.scidpda.org)

## ***AUDIT HISTORY***

We audit the Authority annually. In 2010 we reported a finding that the Authority exceeded its statutory authority by investing in an unallowable interest rate swap. The Authority disagreed with this finding, but agreed to consult a financial advisor to ensure compliance with state laws when entering into financial transactions. In 2008 we reported a finding that the Authority had awarded additional compensation to an employee and had inadequate controls over employee leave balances. The Authority resolved these issues.

## **Status of Prior Audit Findings**

**Seattle Chinatown International District Preservation and  
Development Authority  
King County  
January 1, 2011 through December 31, 2011**

The status of findings contained in the prior years' audit reports of the Authority is provided below:

1. **The Authority exceeded its statutory authority by entering into an unallowable interest rate swap.**

Report No. 1007270, dated January 26, 2012

### **Background**

In 2007 the New Central Hotel, a limited liability company in which the Authority owns a majority interest, entered into an interest rate swap to mitigate the risk that its financing would not be adversely affected by changes in interest rates.

State law allows certain local governments to engage in interest rate swaps. The Authority is not one of those governments.

We recommended the Authority establish procedures, such as consulting with a financial advisor, to ensure compliance with state law when entering into financial transactions.

### **Status**

The Authority disagrees with the finding. However, the Authority agreed to consult with a financial advisor to ensure compliance with state law when entering into financial transactions. This issue is resolved.





## **ABOUT THE STATE AUDITOR'S OFFICE**

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

**State Auditor  
Chief of Staff  
Director of State and Local Audit  
Director of Performance Audit  
Deputy Director of State and Local Audit  
Deputy Director of State and Local Audit  
Deputy Director of State and Local Audit  
Deputy Director of Quality Assurance  
Local Government Liaison  
Public Records Officer  
Main number  
Toll-free Citizen Hotline**

**Troy Kelley  
Doug Cochran  
Chuck Pfeil, CPA  
Larisa Benson  
Kelly Collins, CPA  
Jan M. Jutte, CPA, CGFM  
Sadie Armijo  
Barb Hinton  
Mike Murphy  
Mary Leider  
(360) 902-0370  
(866) 902-3900**

**Website  
Subscription Service**

**[www.sao.wa.gov](http://www.sao.wa.gov)  
<https://www.sao.wa.gov/EN/News/Subscriptions>**