

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 The Washington State Strawberry Commission did not have adequate internal controls over cash receipts and expenditures, putting public funds at greater risk of loss, waste and abuse.

Background

The state Legislature created the Washington Strawberry Commission in 1993 to help producers develop production methods; control diseases, insects, weeds and other problems; and provide information to producers. Producer assessments fund the Commission. The Commission is governed by an eight-member Board, consisting of seven members elected from producers and a representative of the Washington State Department of Agriculture. One employee manages the day-to-day operations of the Commission.

Because of declining revenues and the difficulty of running a small government agency, the Commission has voted to dissolve, effective December 31, 2018.

Description of Condition

The Commission did not have adequate internal controls to ensure cash receipts and disbursements were properly accounted for and supported.

We requested records that supported what the Commission collected in revenues for calendar years 2013 through 2017 to determine whether assessments received by the Commission were complete and properly accounted for. For the years selected, we reviewed the Strawberry Producer Confidential Production Reports and bank statements.

The Commission provided production reports for calendar years 2015 and 2016, but did not provide the production reports for the other years in our audit scope.

We obtained and reviewed bank statements for calendar years 2013 through 2017 but could not trace deposits to assessments collected because of lack of documentation.

We requested expenditure records to determine whether payments the Commission made were supported and for legitimate business purposes. The Commission did not provide supporting documentation for any payments made during the audit period.

Cause of Condition

The Commission had only one employee, who performed all financial transactions, with review and oversight from the Commission. Due to its small size, the Commission did not have an office or computer system to store records. The employee maintained all of the Commission's records at his home. The employee resigned in August 2017. The Commission made multiple attempts to obtain the supporting documentation but was unsuccessful. Our Office also contacted the individual and requested the Commission's records, but he did not provide them.

Effect of Condition

By not having adequate internal controls in place, the Commission put public funds at greater risk of loss, waste and abuse. The lack of documentation means our Office cannot provide assurance that the Commission spent all public funds appropriately. However, the limited documentation provided did not reveal any misspent funds.

In addition, because of the missing records, the Commission was out of compliance with state records retention requirements.

Recommendation

Because the Commission is dissolving, we are not making recommendations for future improvements.

Commission's Response

We acknowledge the findings identified above. Because of the Strawberry Commission's termination, no further action will be taken.

Auditor's Concluding Remarks

We thank the Commission for its cooperation and assistance throughout the audit.

Applicable Laws and Regulations

Washington Administrative Code 16-555-040 - Assessments and collections, states:

- (1) Assessments.
 - (a) The annual assessment on all varieties of strawberries shall be one-half cent per affected unit (pound).
 - (b) For the purpose of collecting assessments, the board may:

- (i) Require handlers to collect producer assessments from producers whose production they handle, and remit the same to the board; or
 - (ii) Require the person subject to the assessment to give adequate assurance or security for its payment.
- (c) Subsequent to the first sale, no affected units shall be transported, carried, shipped, sold, marketed, or otherwise handled or disposed of until every due and payable assessment herein provided for has been paid and the receipt issued. The foregoing shall include all affected units shipped or sold, both inside and outside the state.
- (2) Collections. Any moneys collected or received by the board pursuant to the provisions of the marketing order during or with respect to any season or year, may be refunded on a pro rata basis at the close of such season or year or at the close of such longer period as the board determines to be reasonably adapted to effectuate the declared policies of this act and the purposes of this marketing order, to all persons from whom such moneys were collected or received or may be carried over into and used with respect to the next succeeding season, year, or period whenever the board finds that the same will tend to effectuate such policies and purposes.
- (3) Penalties. Any due and payable assessment herein levied in such specified amount as may be determined by the board pursuant to the provisions of the act and the marketing order, shall constitute a personal debt of every person so assessed or who otherwise owes the same, and the same shall be due and payable to the board when payment is called for by it. In the event any person fails to pay the board the full amount of such assessment or such other sum on or before the date due, the board may, and is hereby authorized to, add to such unpaid assessment or sum an amount not exceeding ten percent of the same to defray the cost of enforcing the collecting of the same. In the event of failure of such person or persons to pay any such due and payable assessment or other such sum, the board may bring a civil action against such person or persons in a state court of competent jurisdiction for the collection thereof, together with the above specified ten percent thereon, and such action shall be tried and judgment rendered as in any other cause of action for debt due and payable.

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), states in part:

Section 20.24.10 Control activities overview

Control activities are policies, procedures, techniques, and mechanisms that help ensure that risks to the achievement of an agency's objectives are mitigated. Control activities are performed at all levels of the agency, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature. Preventive controls are designed to deter the occurrence of an undesirable event by implementing procedures to avoid them. Detective controls are designed to identify undesirable events that do occur and alert management about what has happened.

When designing and implementing control activities, management should consider cost versus benefit and the likelihood and impact of the associated risk. Building control activities into business processes and systems as they are being designed is generally more cost-effective than adding them later.

Section 20.28.10 Monitoring overview

Monitoring is the process of evaluating the quality of internal control performance over time and promptly addressing internal control deficiencies. Monitoring can take the form of ongoing evaluations, which are built into business processes at different levels of the agency, or separate evaluations, which are conducted periodically and vary in scope and frequency, depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations.

Monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environment, laws, resources, and risks.

Section 20.28.30 Monitoring versus control activities

It can be difficult to distinguish between a review that is a control activity and one that is a monitoring activity. Some judgment is involved but determining the intent of the activity can help. An activity designed to detect and correct errors is likely a control

activity, while an activity designed to ask why there were errors in the first place and assign responsibility for fixing the process to prevent future errors is likely a monitoring activity. In other words, a control activity responds to a specific risk, while a monitoring activity assesses whether controls within each of the five components of internal control are operating as intended.

RCW 42.56.100 Protection of public records—Public access.

Agencies shall adopt and enforce reasonable rules and regulations, and the office of the secretary of the senate and the office of the chief clerk of the house of representatives shall adopt reasonable procedures allowing for the time, resource, and personnel constraints associated with legislative sessions, consonant with the intent of this chapter to provide full public access to public records, to protect public records from damage or disorganization, and to prevent excessive interference with other essential functions of the agency, the office of the secretary of the senate, or the office of the chief clerk of the house of representatives. Such rules and regulations shall provide for the fullest assistance to inquirers and the most timely possible action on requests for information. Nothing in this section shall relieve agencies, the office of the secretary of the senate, and the office of the chief clerk of the house of representatives from honoring requests received by mail for copies of identifiable public records.

If a public record request is made at a time when such record exists but is scheduled for destruction in the near future, the agency, the office of the secretary of the senate, or the office of the chief clerk of the house of representatives shall retain possession of the record, and may not destroy or erase the record until the request is resolved.