



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Report on Unauditable Government**  
**Camas Washougal Economic**  
**Development Association**

**For the period June 7, 2011 through December 31, 2019**

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**Office of the Washington State Auditor**  
**Pat McCarthy**

May 14, 2020

Board of Directors  
Camas Washougal Economic Development Association  
Washougal, Washington

**Report on Unauditable Government**

This government has been declared “unauditable.” In other words, the financial records were not available to complete an audit as required by law. Please find attached our report on the Camas Washougal Economic Development Association in which we state that we were unable to form conclusions regarding these matters due the Association’s lack of response to our information requests.

Auditing is essential to government accountability to the public, as reflected in the mandate for audits of local governments given in state law (RCW 43.09.260). The Office of the Washington State Auditor takes seriously our role to advocate for government accountability and transparency and to promote positive change.

This report and the included findings will be published on our website at <http://portal.sao.wa.gov/ReportSearch> as a matter of public record and will also be provided to the Office of the Attorney General for their review.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## REPORT ON UNAUDITABLE GOVERNMENT

### Results in brief

State law (RCW 43.09.260) requires the Office of the Washington State Auditor to examine the financial affairs of all local governments at least once every three years. However, as described in the attached finding, the Camas Washougal Economic Development Association (CWEDA) did not submit the annual financial reports with our Office for June 7, 2011, through December 31, 2017, and did not respond to our inquiries and requests for financial documentation until March 2019. The Association was unable to provide our Office with financial records, other than bank statements. As such, we could not conduct an audit as required by state law.

Failure to submit required reports and financial records represents a violation of state law and a weakness in controls over safeguarding of public resources, which we describe in the attached findings. Because we could not perform an audit, we could not come to conclusions on any other aspect of the Association's compliance with applicable state laws or controls over the safeguarding of public resources.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives. Local governments are also required by state law (RCW 43.09.230) to prepare and submit certified annual reports to our Office summarizing such things as revenues received, collections made, amounts receivable or payable, expenditures made and debt owed.

### Background

The Association was created by the leadership of the cities of Washougal and Camas and the Port of Camas-Washougal. The primary mission of CWEDA is to help existing businesses succeed and bring new businesses and jobs to the area. Annually, in accordance with an interlocal agreement, the Port provided \$100,000 and each city provided \$50,000 to the Association.

The Association, when formed in 2011, was governed by a three-member Board of Directors comprised of one party from each of the forming governments. In 2017, three new members joined the Board representing the Camas and Washougal School Districts, and Columbia River Economic Development Council. The Board is responsible for designing, implementing, and maintaining internal controls that provide reasonable assurance that public resources are safeguarded.

The Association had no employees and used a contractor to serve as the Executive Director and provide economic development services. The Association's Executive Director was responsible for managing all financial and operating responsibilities of the Association.

## SCHEDULE OF FINDINGS AND RESPONSES

### **2019-001 The Association's Board did not provide adequate oversight over financial activities, which resulted in a loss of public funds.**

#### *Description of Condition*

The Port of Camas-Washougal entered into a professional services contract with the now-former Executive Director's company to help with creating the Association. However, when the contract lapsed and the Association was formed, the Association did not enter into a new contract that outlined the expectations and compensation for the Executive Director role. According to discussions with the now-former Executive Director, his primary responsibility was to handle business development. He said he worked an average of four hours a day on Association activities. It appeared the Association and the Executive Director agreed to a monthly compensation of \$9,700 as this was the amount most often paid to him. However, we found no official agreement. The Board verbally approved a pay increase to \$11,000 a month for April and May 2019 during the March 28, 2019, Board meeting.

The Board did not review or approve the payments to the Executive Director to ensure they were appropriate and for services received. We found the Executive Director wrote checks for more than \$850,000 during the audit period to his company for professional services, without a contract in place. These payments were made inconsistently and for varying amounts, and sometimes occurred multiple times in the same month.

In addition to the monthly compensation, the Executive Director had sole access to the Association's bank accounts and was responsible for paying the claims of the Association. The Executive Director used a debit card linked to the Association's bank account to purchase items such as coffee, gas, food, travel and car rentals. The Executive Director also wrote checks for expenses, such as the rent for the Association's office and contractor payments, including his own compensation.

In total, the Association incurred \$1,260,583 in expenditures during the eight and a half year audit period. For almost all of these payments, we found the Association did not have supporting documentation beyond bank statements. Further, payments were not reviewed or approved by the Board, as required by state law (RCW 42.24), before March 2019.

### ***Cause of Condition***

The Board did not adequately monitor the Association's financial activity. Specifically, the Board did not review bank statements, reconciliations, expenditures, or other financial transactions. Additionally, the Board did not have adequate procedures in place to safeguard public funds. The Association relied on the Executive Director for all financial activities without adequate oversight and review.

### ***Effect of Condition***

The Executive Director misappropriated \$19,311 in public funds due to the lack of oversight and no internal controls over the Association's financial activities as reported in our Fraud Investigation Report. That report is available on our website, at <http://portal.sao.wa.gov/ReportSearch>. The Association did not have insurance to cover this loss.

Additionally, we could not conclude whether \$1.1 million of expenditures were allowable and served a public purpose due to the majority of the Association's expenditures not having supporting documentation.

### ***Recommendations***

While the Port of Camas/Washougal and the cities of Camas and Washougal have voted to amend the internal agreement and dissolve the Association in mid-2020, until that time, we recommend the Board perform more direct oversight and monitoring of the Association's financial activities, including but not limited to bank statements, reconciliations, and all expenditures. We further recommend the Board strengthen internal controls over its financial systems to ensure all expenditures paid using public dollars are valid and adequately supported.

### ***Association's Response***

*The CWEDA concurs with this finding. At the time the CWEDA was established in 2011, it was the understanding of the CWEDA Board that CWEDA was not a public agency for the purposes of being subject to audit by the SAO. Once the CWEDA board was aware that they were a public agency subject to audit, they adopted new bylaws, reincorporated as a public not-for-profit agency, appointed a CFO and established financial procedures consistent with those utilized by public agencies subject to audit and as described in this report. These necessary financial practices have been in place since March 2019. In preparation for the state audit, the CWEDA CFO reviewed all expenditures of the CWEDA from its inception and discovered suspected losses in the range of \$15,000 - \$20,000, and additional questionable expenditures (as described in this finding and the SAO's Fraud*

*Report), which were promptly reported to the SAO, along with the results of the internal audit. The CWEDA thanks the SAO for its assistance with the audit and the investigation regarding the losses. As described in this report, last year, for reasons unrelated to this audit, the CWEDA Board decided to disband the organization in June 2020.*

### ***Auditor's Remarks***

We thank Association officials and personnel for their assistance and cooperation during the audit.

### ***Applicable Laws and Regulations***

RCW 43.09.200 Local government accounting – Uniform system of accounting

RCW 42.24.180 Taxing district – Issuance of warrants or checks before approval by legislative body

*Budgeting Accounting and Reporting Systems (BARS) manual – Accounting – Principles and Controls, Internal Controls, Sections 3.1.3.20 and 3.1.3.30*

## SCHEDULE OF FINDINGS AND RESPONSES

### **2019-002 The Camas Washougal Economic Development Association Board did not comply with the Open Public Meetings Act.**

#### ***Background***

The Association is subject to the State's Open Public Meetings Act (Act), which requires the Association to take minutes for all public meetings, except executive sessions, and make them available to the public upon request. The Act also limits executive sessions to specific purposes identified in RCW 42.30.110.

To conduct business, the Association Board must have a quorum of Board members present. Official business of the public agency by the governing body includes, but is not limited to, approval of expenditures and contracts, discussions, reviews, evaluations, and final actions taken by the Board.

#### ***Description of Condition***

From its formation on June 7, 2011, through April of 2013, the Association did not take meeting minutes to document its discussions and decisions made. We also noted six other meetings from January 2016 through March 2019 when minutes were not taken.

Additionally, for five executive sessions held during the audit period, the Association's minutes did not include enough information about the purpose for executive sessions, or the starting and ending times, to demonstrate the Association complied with the Act's requirements related to executive sessions.

#### ***Cause of Condition***

Although the Association was familiar with the Act's requirements, it did not think the Association was a government agency subject to these requirements when it was initially formed. Additionally, it didn't dedicate the necessary resources to ensure the documentation of minutes complied with the Act.

#### ***Effect of Condition***

The intent of the Act is to ensure citizens have access to the deliberations and actions of government. Because no minutes were taken for first two years, the Association has no official record of what business was conducted, and the public does not know what took place in Association meetings. For example, there is no record of the Board reviewing or approving expenditures.

Board actions not in compliance with the Act may not be considered valid.



### ***Recommendation***

Until the Association is dissolved, we recommend the Board take minutes for all public meetings and ensure they contain sufficient information to demonstrate compliance with Open Public Meetings Act requirements. This includes keeping adequate documentation for executive sessions to demonstrate that those sessions are held for an allowable purpose under state law.

### ***Association's Response***

*The CWEDA concurs with this finding. Since its inception in 2011 the CWEDA meetings were open to the public and were frequently attended by members of the public and a reporter from the local newspaper, but it is acknowledged that although minutes were taken prior to 2017, full compliance with the OPMA was not in place regarding minutes (especially in the early years) and documenting the executive sessions, given the understanding that the CWEDA was not a public agency for the purposes of the OPMA. CWEDA has been in full compliance with these OPMA provisions since March 2019. The CWEDA thanks the SAO for its assistance in clarifying the applicability of this requirement to CWEDA.*

### ***Auditor's Remarks***

We thank Association officials and personnel for their assistance and cooperation during the audit.

### ***Applicable Laws and Regulations***

RCW 42.30.010 Legislative declaration

RCW 42.30.020 Definitions

RCW 42.30.035 Minutes declared open and public

RCW 42.30.110 Executive sessions

## SCHEDULE OF FINDINGS AND RESPONSES

### **2019-003    The Association did not ensure annual reports were submitted promptly to the State Auditor's Office in accordance with state law.**

#### ***Background***

State law (RCW 43.09.260) requires the State Auditor to examine the financial affairs of every local government at least once every three years. State law (RCW 43.09.230) also requires local governments in Washington to provide a summary of their financial activity to our Office each year within 150 days of their fiscal year end. Public officials or employees may be subject to removal from office for refusing to or willfully neglecting to perform their duties (RCW 43.09.240), which includes filing the required reports with the State Auditor, and such actions are considered a misdemeanor (RCW 42.20.100).

#### ***Description of Condition***

The Association did not take appropriate action to prepare or submit the required annual reports no later than 150 days after the Association's fiscal year end since it was created in 2011.

#### ***Cause of Condition***

The Association's Executive Director stated the Association did not feel it was a government agency subject to this requirement. After our Office had conversations with the Executive Director to inform the Association it was required to comply, the Association did not take timely action to comply.

#### ***Effect of Condition***

The Association did not provide its 2011 through 2017 financial reports until May 2019.

Delayed filing of the financial reports limits access by the public, state and federal agencies, and other interested parties to financial and other information about the Association. Additionally, the delay in submitting the required reports hindered our ability to perform audits, as required by state law (RCW 43.09.260) and transparency to citizens.

#### ***Recommendation***

Until the Association is dissolved, we recommend the Board establish the necessary internal controls to ensure the Association submits accurate, complete, and timely financial reports as required by state law.

## ***Association's Response***

*The CWEDA concurs with this finding. In 2017, the CWEDA Board received new guidance that the CWEDA is considered a public agency required to submit financial reports to the SAO. The CWEDA acknowledged and concurred with this guidance and began to take steps to convert the organization to a public agency required to submit financial reports, ultimately including in the context of this finding the appointment of a CFO and establishment of financial procedures consistent with those utilized by public agencies subject to audit and as described in this report. The CWEDA CFO submitted the necessary financial statements in May 2019 as described in this report and has had processes in place to ensure continued submission of required reports. The CWEDA thanks the SAO for its assistance in clarifying the applicability of this requirement to CWEDA.*

## ***Auditor's Remarks***

We thank Association officials and personnel for their assistance and cooperation during the audit.

## ***Applicable Laws and Regulations***

RCW 43.09.230 states, in part:

The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (2) a statement of the entire public debt of every local government . . . (3) a classified statement of all receipts and expenditures by any public institution; . . . together

with such other information as may be required by the state auditor . . . .

RCW 43.09.240 states, in part:

Every public officer and employee of a local government shall keep all accounts of his or her office in the form prescribed and make all reports required by the state auditor. Any public officer or employee who refuses or willfully neglects to perform such duties shall be subject to removal from office in an appropriate proceeding for that purpose brought by the attorney general or by any prosecuting attorney.

RCW 43.09.260 states, in part:

(1) The examination of the financial affairs of all local governments shall be made at such reasonable, periodic intervals as the state auditor shall determine . . .

(5) On every such examination, inquiry shall be made as to the financial condition and resources of the local government; whether the Constitution and laws of the state, the ordinances and orders of the local government, and the requirements of the state auditor have been properly complied with; and into the methods and accuracy of the accounts and reports.

(6) A report of such examination shall be made and filed in the office of state auditor, and one copy shall be transmitted to the local government. A copy of any report containing findings of noncompliance with state law shall be transmitted to the attorney general. If any such report discloses malfeasance, misfeasance, or nonfeasance in office on the part of any public officer or employee, within thirty days from the receipt of his or her copy of the report, the attorney general shall institute, in the proper county, such legal action as is proper in the premises by civil process and prosecute the same to final determination to carry into effect the findings of the examination . . . .

RCW 42.20.100 states:

Whenever any duty is enjoined by law upon any public officer or other person holding any public trust or employment, their willful neglect to perform such duty, except where otherwise specially provided for, shall be a misdemeanor.

## RELATED REPORTS

### **Special investigations**

The State Auditor's Office issued a report on a misappropriation of public funds at the Association. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE ASSOCIATION

The Camas-Washougal Economic Development Association (CWEDA) was created by the leadership of the cities of Washougal and Camas and the Port of Camas-Washougal. The primary mission of CWEDA is to help existing businesses succeed and bring new businesses and jobs to the area.

The Association is governed by a Board of Directors.

<b>Contact information related to this report</b>	
Address:	Camas Washougal Economic Development Association 1701 C Street Washougal, WA 98671
Contact:	Jennifer Forsberg, City of Washougal Finance Director
Telephone:	(360) 835-8501 x 503
Website:	<a href="http://www.cweda.org">www.cweda.org</a>

*Information current as of report publish date.*

### **Audit history**

You can find current and past audit reports for the Camas Washougal Economic Development Association at <http://portal.sao.wa.gov/ReportSearch>.

## 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.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(564) 999-0950
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>