



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Fort Vancouver Regional Library District

For the period January 1, 2020 through December 31, 2021

Published February 6, 2023

Report No. 1031959



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

February 6, 2023

Board of Trustees
Fort Vancouver Regional Library District
Vancouver, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

Audit Results.....	4
Schedule of Audit Findings and Responses.....	6
Related Reports.....	9
Information about the District.....	10
About the State Auditor's Office.....	11

AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the District could make improvements. These recommendations are included with our report as a finding.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Fort Vancouver Regional Library District from January 1, 2020 through December 31, 2021.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2021 and 2020, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts payable – general disbursements, credit cards, travel expenditures, donations, and employee reimbursements
- Cash receipting – timeliness and completeness of deposits
- Procurement – public works and purchasing exemptions
- Compliance with public works projects – prevailing wages and project close out requirements
- Self-insurance for unemployment
- Payroll – gross wages

- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Fort Vancouver Regional Library District January 1, 2020 through December 31, 2021

2021-001 The District retroactively compensated nonrepresented employees, which did not comply with the state constitution.

Description of Condition

District management and the Board of Trustees are responsible for establishing pay for represented and nonrepresented employees. The Washington State Constitution prohibits additional pay to employees for work already performed with the exception of represented employees involved in ongoing negotiations of a collective bargaining agreement.

The District's previous bargaining agreement ended December 31, 2020, and a new contract was not negotiated and signed until November 1, 2021. As a result of the new agreement, represented employees received a 6 percent pay increase effective back to January 1, 2021. However, the District also retroactively applied the pay increase to nonrepresented employees, which the state constitution prohibits. The District should have prospectively implemented the pay increase for nonrepresented employees since they were not part of the contract negotiation process.

Cause of Condition

District management wanted to keep pay fair for nonrepresented employees, and did not know that retroactive payments not associated with a collective bargaining agreement were unallowable under the state constitution.

Effect of Condition

The District did not comply with the state constitution because it paid \$122,521 in unallowable retroactive compensation to 57 nonrepresented employees.

Recommendation

We recommend the District comply with the state constitution and ensure it prospectively pays all salary increases to nonrepresented employees. We also

recommend the District conduct an additional legal review to determine if any further actions, such as repayment, are necessary or required by law.

District's Response

Background

FVRL is a regional rural library district operating in southwest Washington for the past seventy years. The majority of FVRL's employees are represented by one of two unions: a clerical group represented by the Washington Public Employees Association (WPEA); and a group of supervisory and professional employees represented by the American Federation of State County and Municipal Employees (AFSCME). There is also a group of non-represented staff that shares a compensation and classification plan with AFSCME-represented employees.

Prior to 2013, non-represented employees primarily worked in library management or held professional positions as librarians. When AFSCME was organized, positions that were otherwise identical became differentiated based on supervisory duties, specifically, whether or not the position supervised an AFSCME employee or held a position that was involved in collective bargaining activities in finance, human resources or administration. Because these positions share similar job duties, a class and compensation study conducted in 2015 tied AFSCME and non-represented staff positions together in a single salary schedule that is still in use, and was updated and reaffirmed in FVRL's most recent market wage review.

The SAO did not audit FVRL as anticipated in 2021, and the year proved to be full of operational challenges due to a flood at FVRL's Operations Center, rising economic pressures and record employee turnover driven by the global pandemic. During this time, FVRL also bargained contracts with both unions resulting in retroactive compensation back to January 1, 2021. FVRL chose to give non-represented staff an identical retroactive pay increase to prevent disparity in the compensation schedule for those employees. The Executive Director was not included in this increase or any retroactive pay.

Remedy

Historically, FVRL has given retroactive wage increases to both represented and non-represented staff on the same cycle. In other words, when AFSCME-represented employees received prospective and retroactive pay increases, our non-represented employees received them as well. This has never been mentioned in prior audits and FVRL did not know it was an unallowable practice.

The SAO has concluded that FVRL did not comply with the state constitution by providing fifty-seven employees a retroactive salary increase in 2021. FVRL believes that past practice and its existing compensation and classification table

are adequate proof that FVRL's non-represented employees could prospectively assume that their compensation was tied to that of their AFSCME co-workers, including with respect to the question of retroactive payments.

FVRL did not view the retroactive compensation as a bonus for work performed or as incentive pay. The market salary study the District undertook in 2021 revealed that FVRL was behind the market in compensation for many of our AFSCME and non-represented positions, driving the decision to grant a 6% increase to all employees at the end of the year, along with the retroactive compensation. FVRL hoped that would narrow the gap for many employees and help the District retain valuable employees and increase compensation equal to or above our peers in the state.

Review by FVRL's legal counsel did not conclude that refunds are due from these employees. Rather, based on FVRL's past practice, and the time elapsed between the distribution of pay and the SAO's audit, they believe it is not reasonable to expect these individuals to return these funds. To prevent any future misrepresentation, the SAO has suggested, and FVRL agrees, that it should implement a policy indicating that non-represented employees have a compensation plan that includes the prospect of retroactive increases, based on approved performance standards and clear expectations.

Auditor's Remarks

It is the responsibility of the District to design and implement internal controls sufficient to ensure compliance with applicable laws. Our audits are conducted after transactions occur and in keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area.

We thank the District for its cooperation and assistance during the audit and will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Washington State Constitution, Article II, Section 25 – Extra Compensation Prohibited

RELATED REPORTS

Financial

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

The Fort Vancouver Regional Library District provides library services, including community and cultural events and outreach programs to over 500,000 residents of the Clark, Skamania, Klickitat and Cowlitz counties, which covers more than 4,200 square miles. The District includes 15 community libraries, two bookmobiles, and an operations center.

An appointed, seven-member Board of Trustees governs the District. The Board appoints an Executive Director to oversee the District's daily operations as well as its 267 employees. In 2021 and 2020, the District received operating revenues of about \$29.4 million and \$26.7 million, respectively.

Contact information related to this report

Address:	Fort Vancouver Regional Library District 1007 E. Mill Plain Blvd. Vancouver, WA 98663
Contact:	Attar Bhangal, Finance Manager
Telephone:	(360) 906-5061
Website:	www.fvrl.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Fort Vancouver Regional Library District at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov