



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

East Lewis County Public Development Authority

For the period January 1, 2019 through December 31, 2021

Published March 20, 2023

Report No. 1032241



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

March 20, 2023

Board of Commissioners
East Lewis County Public Development Authority
Packwood, 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 Authority 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 Authority'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

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AUDIT RESULTS

Results in brief

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

However, we noted certain matters related to financial condition that we communicated to Authority management and the Board of Commissioners in a letter dated March 13, 2023. We appreciate the Authority's commitment to resolving those matters.

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 East Lewis County Public Development Authority from January 1, 2019 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 Authority'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, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Financial condition – reviewing for indications of financial distress
- Cash receipting – timeliness and completeness of deposits, and voids
- Open public meetings – compliance with minutes, meetings and executive session requirements

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

East Lewis County Public Development Authority January 1, 2019 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2016 through December 31, 2018	Report Ref. No.: 1025454	Finding Ref. No.: 2018-001
Finding Caption: The Authority has not effectively monitored financial information, resulting in a continued decline in the Authority's financial condition.		
Background: We communicated financial condition concerns to the Authority in the prior two audits. We recommended the Authority create a formal comprehensive plan to monitor its financial health to ensure it can continue operations. A formal plan is important in monitoring its financial condition because it establishes detailed benchmarks and guidelines to specifically target cash flow issues.		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The Board of Directors of the East Lewis County Public Development Authority have taken the following actions regarding a formal comprehensive plan to monitor its financial health to ensure continued successful operations to meet the Charter of the ELCPDA. Recognizing this as a major issue that has confronted our Board we took action in 2021 to divest ourselves of the RR Spur and were able to sell it for \$300,000. We used a portion of that money to pay off the Craft 3 Loan of \$163,700 reducing our annual outlay by nearly \$20,000. In addition we were finally able to secure a lease with Longmire Springs Brewery for the 12,000 SF second building that has been vacant for several years. Their build out is nearing completion and the PDA will start receiving rent payments early in 2023 further solidifying our financial position. It is anticipated that all obligations will be met.</i> <i>As an all-volunteer Board of Directors our formal plan is:</i> <ol style="list-style-type: none"> 1. <i>The Treasurer of the Board reviews our financial condition weekly by reviewing income vs outflows and predicting forthcoming activities.</i> 2. <i>Any projected inconsistencies or threats to our solvency are communicated to the Board and if necessary an Emergency session of the Board will be called to review the financial condition and specific actions will be initiated to resolve the inconsistency.</i> 3. <i>The Treasurer will review all financial actions with the entire PDA board at our Quarterly meetings and the Board will vote on approval or disapproval of said actions.</i> 		

INFORMATION ABOUT THE AUTHORITY

The East Lewis County Public Development Authority was established May 20, 1996, to undertake, assist, facilitate, promote or provide for small business and light industrial development. This community-based organization promotes business and industry at the east end of Lewis County. It operates the Packwood Business Park, which provides companies a good location, available workforce and competitive pricing in a rural setting.

An elected, five-member Board of Commissioners governs the Authority. The Authority currently does not have any paid employees. However, the Authority has hired a contractor to provide accounting services. The remaining services are provided on a volunteer basis.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the East Lewis County Public Development Authority 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.

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