



Office of the Washington State Auditor  
Pat McCarthy

## **Accountability Audit Report**

# **Washington State Asparagus Commission**

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

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

July 31, 2023

Board of Commissioners  
Washington State Asparagus Commission  
Eltopia, 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 Commission 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 Commission'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 most of the areas we examined, Commission 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 Commission could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to budget approval that we communicated to Commission management and the Board of Commissioners in a letter dated July 24, 2023.

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 Washington State Asparagus Commission 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 15.66.140, which requires the Office of the Washington State Auditor to examine the financial affairs of the Commission at least once every three years. Our audit involved obtaining evidence about the Commission'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:

- Accounts payable – general disbursements
- Contracts compliance – awarding research projects
- Budget compliance
- Procurement – services

- Accounts receivable – assessment revenue
- 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

### Washington State Asparagus Commission January 1, 2019 through December 31, 2021

#### **2021-001    The Commission did not have adequate internal controls to ensure it complied with state laws related to research and administrative contracts.**

##### *Background*

The Washington Asparagus Commission promotes the general welfare of the state by maintaining existing markets or creating new or larger local, domestic, and foreign markets, increasing production efficiency, ensuring a fair regulatory environment, or by increasing per capita consumption of asparagus in Washington. This includes providing funding for research in the production, processing, irrigation, transportation, handling, and marketing of asparagus.

As a state agency, the Commission receives its authority to contract for goods, services, and information technology from the Washington State Department of Enterprise Services (DES). DES delegates certain authorities to agencies and sets limits on how much they can spend when procuring goods and services. DES must approve procurement activities that exceed approved limits. State agencies must also conduct routine procurement risk assessments and submit them to DES, which uses this information to establish agency-delegated authorities.

The Commission does not have any employees, and it contracts with a management company to manage its finances and day-to-day operations. The management company has three employees. The Commission holds regular board meetings and reviews expenditures, research contracts and procurement purchases.

In fiscal years 2019, 2020 and 2021, the Commission's total expenditures were \$267,037, \$254,734 and \$260,213, respectively.

##### *Description of Condition*

The Commission did not have adequate internal controls to ensure it complied with state laws related to research and administrative contracts. Specifically, we found the Commission did not:

- Establish an effective review process to ensure expenditures were allowable and supported by documentation
- Establish written policies and procedures describing its processes for preventing potential conflicts of interest when awarding contracts
- Comply with state records retention requirements regarding documentation to support expenditures
- Comply with DES risk assessment requirements and the delegated authority set by DES for the procurement of goods and services

### *Cause of Condition*

The Commission did not perform an adequate level of review, and it did not have adequate oversight of the management company to ensure expenditures were allowable. The Commission also did not ensure the management company complied with state procurement requirements and obtained DES approval when contract values exceeded the Commission's delegated authority. Furthermore, the Commission did not have adequate procedures in place to prevent potential conflicts of interest when awarding research contracts.

### *Effect of Condition*

#### *Research Projects*

The Commission funds research projects related to asparagus production. State law (RCW 15.65.320) requires research to be carried out by Washington State University's (WSU) experiment stations. However, if the Commission's director or their designee determines that experiment stations do not have adequate facilities for a particular project—or if some other research agency has better facilities—the project may be carried out by other research agencies selected by the director or their designee.

The Commission did not have documentation supporting its determination that WSU had inadequate facilities to conduct research projects. In addition, there was a potential conflict of interest because the judgment was made by the Executive Director, and his research company was the only one that received research funding from the Commission, totaling \$240,065 for fiscal years 2019, 2020 and 2021.

During the audit, we requested copies of the signed research contracts for fiscal years 2019, 2020 and 2021 to determine if the project expenditures were approved and supported, and if researchers complied with the contract's terms. However, the Commission did not have copies of the contracts on file during audit fieldwork.

### *Suspension of Delegated Authority for Goods and Services*

The Commission's lack of internal controls over its procurement processes have led to noncompliance for many years. In June 2014, DES rescinded the Commission's delegated authority to procure goods and services because it did not complete its required risk assessment. The Commission completed the next required risk assessment in 2016, and DES authorized a delegated authority with specific conditions that the Commission was required to meet. In November 2020, DES determined the Commission failed to comply with the required conditions and, once again, suspended its delegated authority. DES concluded that the Commission violated state procurement laws nine times between 2015 and 2020.

Since DES suspended the Commission's delegated authority to acquire goods, services, and information technology on November 30, 2020, it was not permitted to extend or amend existing contracts without first consulting with and receiving approval from DES.

The Commission has contracted with the same management company for more than 10 years for administrative services. From 2019 through 2021, the Commission paid \$60,000, \$60,000 and \$55,000 for administrative services, respectively. The Commission's administrative contract with the management company ended at the end of fiscal year 2020, and it issued three amendments to extend this contract until the end of fiscal year 2021. The Commission did not have documentation to demonstrate DES approved these amendments.

### ***Recommendation***

We recommend the Commission:

- Improve oversight of its contracted management company to ensure it maintains documentation to support contracts and expenditures
- Establish written policies and procedures for preventing potential conflicts of interest when awarding contracts
- Comply with DES procurement and risk assessment requirements
- Ensure it retains documentation to demonstrate compliance with state law and its own rule for evaluating WSU's facilities when awarding research projects

### ***Commission's Response***

*In regard to the SAO opinion that the WAC did not have documentation supporting its determination that WSU had inadequate facilities to conduct research project*



*(paragraph one, Effect of Condition); every relevant person at WSU, every WAC board member and staff member knows that WSU does not have access to asparagus on which to do research. When WSU needs to do asparagus research it approaches the WAC and relies on their asparagus research capacities. The WAC has established that WSU does not have adequate facilities to conduct asparagus research and it does so in January of each year when it establishes its research budget.*

*Paragraph two, Effect of Condition. This determination was first made by the board of directors, not the WAC Executive Director, in 1999 when it decided to develop an independent research location due to lack of facilities at WSU. The board makes this determination annually in January when it sets its research budget.*

*Paragraph three, Effect of Condition. Regarding signed copies of research contracts for years 2019, 2020 and 2021; the three contracts were provided to the SAO on July 6th.*

*Paragraph six, Effect of Condition. The approval of the three contract amendments was the responsibility of a separate state agency who was not a party to this audit. This request for contract amendments should have been directed to that party. Those contract amendments were approved by DES and the approvals were held by the responsible state agency. The documents were requested from the state agency and were provided to the SAO.*

*Paragraph six, Effect of Condition. It is unclear why but the last sentence of the Effect of Condition section states that the Commission was unable to provide SAO with a copy of the research contract for 2021. It is unclear why previously in the Effect of Condition statement it said that research contracts were not provided for 2019, 2020 and 2021 and later the report says it was not provided with a research contract for only 2021. Obviously, this is another error in the audit report. But as previously stated, the SAO was provided with all research contracts for the period of the audit. The WAC provided the SAO with every report, contract, receipt, assessment documentation and every other document that it requested, totaling over one hundred documents.*

***Analysis of SAO audit of the WAC for 2019, 2020 and 2021.*** *The Commission has adequate internal controls as evidenced by the lack of any substantive areas of concern identified by the SAO. The WAC has significantly increased its internal controls and management oversight of operations as a result of the suspension of delegation of authority. The Commission is following state contracting and procurement guidelines near perfectly due to its close work with the Department of Enterprise Services and Washington State Department of Agriculture. The above*

*actions are at worst the equivalent of turning a few homework assignments late. Considering the volume of documents and information requested by the SAO is not surprising that some documents were not submitted on time. Late submission of six documents does not equate to a finding by the SAO.*

***Under Description of Condition.*** *The SAO states we need to establish an effective review process to ensure expenditures were allowable and supported by documentation . . . however, there is nothing in the audit and nothing provided by the SAO that indicated there were any, zero, expenditures that were not allowable or supported by documentation. Bear in mind that the DES approves every single dollar the Commission spends. It talks about establishing written policies and procedures for preventing potential conflicts of interest when awarding contracts . . . the WAC is operating under the direct supervision of the DES. The DES has signed off on WAC contracts and would not allow anything that would be conflict of interest. DES would have to support the WAC position that it would not allow a conflict of interest to occur during the awarding of a contract the DES directly supervised. SAO says we should comply with state records retention requirement regarding documents to support expenditures. The audit found no issues with records retention requirement issues. This is never mentioned in the audit so how can this be a issue? It says the WAC needs to comply with DES risk assessments . . . We are already doing this and the DES Small Agency can verify this. The Commission is already complying with every single bullet point in the description of condition. The SAO needs to insert language into this section stating that the Commission is in full compliance with these conditions.*

***Regarding Cause of Condition*** *During the audit, starting in 2020, DES has had complete oversight of WAC contracting processes. All contracting and procurement was done at the specific direction of DES. The SAO cannot say that adequate procedures are not in place when the WAC is following all DES requirements and DES approves every contract and procurement processes. We would argue that the Commission more closely following all procurement and contract than any other commodity group in the state.*

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

We reaffirm our findings. During the audit, we asked multiple times for copies of key documents and contracts that were in place during the audit period of Jan. 1, 2019, through Dec. 31, 2021. State agencies are audited regularly and should have such documents readily available for management's access and use. The Commission is responsible for retaining all original and amended research and administrative contracts.

As the audit report notes, research may be carried out by other research agencies under specific circumstances. The Commission is responsible for maintaining documentation showing it complied with both its own rules on this topic, and state law.

Finally, the audit results are based on information relevant to the audit period as well as information provided during audit fieldwork. Information about Commission activities outside the audit period, including its current state, are not relevant to this audit.

We will follow up on the Commission's corrective actions during our next regular audit.

### *Applicable Laws and Regulations*

RCW 15.65.320, Agreement and order provisions for research

RCW 39.26.090(5), Director's duties and responsibilities – Rules

RCW 40.14, Preservation and destruction of public records

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Washington State Asparagus Commission January 1, 2019 through December 31, 2021

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

<b>Audit Period:</b> 1/1/2016-12/31/2018	<b>Report Ref. No.:</b> 1025930	<b>Finding Ref. No.:</b> 2018-001
<b>Finding Caption:</b> The Asparagus Commission did not have adequate internal controls over its general disbursements and use of purchase cards to ensure expenses were for an allowable business purpose.		
<b>Background:</b> The Asparagus Commission (Commission) contracts with a management company to manage its finances and day-to-day operations. The management company uses two purchase cards to pay for certain Commission expenses. The management company then seeks reimbursement for purchase expenditures. All expenditures are then approved at the Commission's Board meetings. We found the Commission did not have adequate internal controls over its general disbursements and use of purchase cards to ensure expenses were for allowable business purposes. We examined about \$8,000 of purchase card expenditures and general disbursements and found food purchases of \$6,979 and tips of \$138. In the prior audit, we issued a finding because the Commission did not provide support for five months of purchase card transactions totaling \$4,798 and late fees incurred totaling \$240.		
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>The Commission did not provide a response on prior audit finding.</i>		

## INFORMATION ABOUT THE COMMISSION

The Washington State Asparagus Commission was established in 1991 by state law to coordinate the marketing of asparagus produced in Washington. It is funded primarily by annual fees assessed on asparagus growers.

The Commission is governed by a nine-member Board of Commissioners consisting of asparagus growers and handlers. The Commission had revenues of about \$243,000, \$238,000 and \$163,000 in fiscal years 2019, 2020 and 2021, respectively.

### Contact information related to this report

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Telephone:	509-266-4300
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*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Washington State Asparagus Commission 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.

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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.

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