



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

**Accountability Audit Report**  
**Washington State Strawberry**  
**Commission**

**For the period January 1, 2013 through December 31, 2017**

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

October 4, 2018

Board of Commissioners  
Washington State Strawberry Commission  
Burlington, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office 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.

The attached comprises 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 we value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In the areas we examined, Commission operations did not comply with applicable state laws, regulations, and its own policies, and did not provide adequate controls over safeguarding of public resources.

As referenced above and described in the attached finding, we identified areas in which the Commission could make improvements.

These recommendations are included with our report as a finding.

### About the audit

This report contains the results of our independent accountability audit of the Washington State Strawberry Commission from January 1, 2013 through December 31, 2017.

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 43.09.310 and 15.65.490 for the Strawberry Commission, which requires the Office of the State Auditor to examine the financial affairs of the Commission at least once every five years. Our audit involved performing procedures to obtain 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.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance.

The following areas were examined during this audit period:

- Compliance with Open Public Meeting requirements
- Collection of assessments

## 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.

## INFORMATION ABOUT THE COMMISSION

The Washington State Strawberry Commission was established by state law to assist producers in developing production methods, controlling diseases, insects, weeds and other problems, and to provide information to producers. It is funded primarily by assessments on producers.

The Commission is governed by an eight-member Board of Commissioners, consisting of seven members elected from producers and a representative of the Washington State Department of Agriculture.

<b>Contact information related to this report</b>	
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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 Strawberry Commission 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>
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