

DRAFT MINUTES
Executive Committee Meeting
Fort Worden Public Development Authority
Thursday, Feb. 23, 2017 | Noon – 1 p.m.
Fort Worden Commons B (Bldg. 210)

Action Items:

- **Authorize the Executive Director to negotiate and execute a contract not to exceed \$25,000 with KO Projects for business planning services. *Approved: 4-0***

Call To Order: 12:03 p.m.

Roll Call: (Committee) Norm Tonina, Gee Heckscher, Jane Kilburn, Jeff Jackson; (Staff) Dave Robison, Diane Moody, Todd Gubler, Larry Sammons, Megan Claflin, Shelley French; (Public) George Holk, Carol Ehlinger, Bill Drath, Kevin Alexander.

I. Review of Washington State Audit Findings

Auditor's Report

The Washington State Auditor's Office conducted two reviews of the Fort Worden Public Development Authority (PDA)—an accountability audit for 2012 through 2015; and a financial statement audit for 2014 and 2015. The accountability audit resulted in no findings. The financial audit “identified deficiencies in internal controls over financial reporting that affected the PDA’s ability to produce reliable financial statements.” An Exit Conference Report was also provided and included a summary of the Auditor’s findings as well as a response statement from the PDA. Lead Auditor George Holk explained the purpose, scope and content of each document. All three final documents will be submitted to the PDA by March 3, 2017. Holk expressed his appreciation for the challenges the Fort Worden Public Development Authority (PDA) has faced and overcome while transitioning from a state-run organization to an independent municipal entity, and staff’s efforts to establish sound financial and operating practices. “I congratulate you on a successful beginning,” he said.

Committee Discussion

Norm Tonina asked that the record reflect that the Auditor's recommended improvements regarding “leasing options” had to do with tenant partners not providing documentation of proof of insurance for buildings for which they hold leases, as well as the fact that the PDA was not collecting penalty fees from tenant partners late on payments.

Norm Tonina noted that while the financial audit finding did identify deficiencies in reporting that required improved policies and procedures, none of the errors identified and reconciled during the audit altered the PDA’s reported net income or annual cash reconciliations for 2014 or 2015.

Jeff Jackson asked the auditors to clarify their reasoning for labeling the finding as a “material weakness” versus a “significant deficiency.”

The determination of the specific language utilized within the findings was discussed at length, Ehlinger said. Holk conducted the audit and submitted his report for her review, she and Holk then filed a report with a review committee of four additional auditors who then reviewed the report, recommendations and findings.

Jane Kilburn said that she does not feel the tone of the language accurately reflects the confidence that the auditors have otherwise expressed that PDA staff was (with the auditors help and recommendations) able to identify the reporting deficiencies, develop policies and procedures for preventing future deficiencies, and implementing these new tactics through training. This statement reads as progressive and not regressive, Kilburn said, as though the report indicates these issues will continue. She stated she did not feel that the audit statement is accurate.

Holk agreed to make a note of the committee members' request to add language to the report near the finding of material weakness that would reflect the improvements that have been are being implemented by staff.

Dave Robison said that to put things into perspective it should be noted that for a startup organization with complicated finances and operations, to have received only one finding in our first state audit is highly encouraging.

Public Comment
None

II. Review RFQ's for Makers Square Business Plan Consultants

Staff Report

Dave Robison reported that three consultant responses were received for the Request for Qualifications for the Makers Square Business Plan. He, Larry Sammons, and Gee Heckscher developed an evaluation matrix and selection criteria to appraise each response. PDA Board member Cindy Finnie and arts consultant Kris Tucker were also included in the review process. All unanimously agreed that KO Projects was the strongest applicant. Robison briefly review all three applicants and highlighted the strengths of KO Projects that lead to the committee's decision.

Committee Discussion

Jeff Jackson asked Robison how and when the Board will be included in the business planning process for Makers Square. Jane Kilburn supported Jackson's question stating that, "the Board is ultimately responsible for the fiduciary success of the project so, selected PDA board members should be involved in the process. Robison agreed and said he will develop a plan.

Public Comment
None

Motion:

Authorize the Executive Director to negotiate and execute a contract not to exceed \$25,000 with KO Projects for business planning services.

Approved: 4-0

Meeting Adjourned: 12:59 p.m.

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