



Meeting Minutes
Board of Directors Special Meeting Agenda
Fort Worden Lifelong Learning Center Public Development Authority (FWPDA)
Thursday, January 13, 2022 | 5:30 p.m.
Via Zoom (Remote Meeting Per Governor Inslee's Proclamation 20-28.15)

Special Meeting Agenda

I. Call to Order

The meeting was called to order at 5:33 p.m.

II. Roll Call

PDA Board Members: Brad Mace, Celeste Tell, David King, John Begley, Rodger Schmitt, Torie Brazitis

Liaisons: Heron Scott (Partners), Libby Wennstrom (City Council)

Staff: David Timmons, Aislinn Diamanti, Natalie Maitland, Carolyn Zipeto, Becky Wagner, John Watts (Legal counsel), Meriden Vitale

III. Public Comment on Special Meeting Topics Only

No public comments.

IV. Review of State Auditor's Office (SAO) reports

- A. Staff Presentation
- B. Board Clarifying Questions
- C. Board Discussion
- D. Board Liaison Comments

David Timmons introduced the two SAO reports to be discussed—the Accountability Audit that looked at the PDA's financial condition from 2018-2020, and the Fraud Report, which addressed misappropriation of funds. He said there is limited ability to discuss the Fraud report because it is currently under investigation by law enforcement.

Timmons shared a presentation highlighting the timeline of the SAO's reports. Because of the size of the PDA, it has been on a two-year audit cycle with the SAO.

Timmons noted that the 2016-2017 audit report helped set the scene for the PDA's current situation. This report was issued in February 2020, almost four years later, and ended in an Adverse Opinion, which Timmons said should have been a red flag. (An adverse opinion is a professional opinion made by an auditor indicating that a company's financial statements are misrepresented, and do not accurately reflect its financial performance and health.) It was downplayed as a result of the transition period, which he said was unacceptable.

Pandemic impacts in March 2020 then diverted attention away from the report to responding to shutdowns and layoffs.

Timmons said the 2018-2020 SAO report was initiated in December 2020 and was released in December of 2021. It was discovered in 2020 that the 2018 Annual Report was falsely filed with the SAO, determined to be a copy of the 2017 Annual Report.

After the PDA learned about these collective issues, Timmons noted that the Chief Financial Officer resigned, the Executive Director resigned, and Board members resigned in full. The SAO fraud investigation began in 2020. New oversight and accountability measures were approved by city code/charter amendment in 2020. And a new board was seated as well as a new administration put into place in 2021.

Timmons outlined multiple recommendations for moving forward, including the Finance & Audit Committee, changes to the accounting system, an annual evaluation of the Executive Director, and board review and approval of annual financial report prior to submission to the SAO. The timeline for getting up to date involves filing the 2021 report by May 2022 and an audit to be conducted in late 2022.

After the presentation, Timmons asked for board member questions.

Rodger Schmitt asked about previous executive director reviews and the SAO's management letter.

Brad Mace asked about the audit format and whether irregular findings would trigger a deeper review.

Torie Brazitis asked about internal controls practices.

David Timmons said that the organization should be relying on periodic internal controls in order to not rely on the State Auditor's report, which is an after-the-fact review. He said when a report comes out is the time to act.

Becky Wagner said that in the previous administration the mail was opened by the CFO, who also wrote and signed checks. By the time she was hired these had been corrected; the mail is now opened by an administrator, David Timmons or a board member signs checks, Carolyn Zipeto enters the checks, and Becky Wagner does the bank reconciliation. Carolyn Zipeto said that there are now three sets of eyes on each transaction.

Celeste Tell asked about the annual review of the Executive Director and what is currently in place. David Timmons said there is nothing currently in writing but that developing and clarifying board oversight of the ED is an important part of the internal controls.

David King noted the lack of written policies governing these issues.

Becky Wagner said that there are now written internal controls regarding financial transactions.

Rodger Schmitt asked about a particular statement from the 2017 report regarding lack of evidence. David Timmons said this was a statement that should have put the agency on notice and that basically the SAO could not gather enough evidence to make a determination.

David King asked about the PDA's current accounting infrastructure and the continuity of software after the split with hospitality.

Carolyn Zipeto explained how the PDA will utilize QuickBooks moving forward.

John Begley expressed his concern for staff and not putting too much pressure on them.

David Timmons said that some of these changes can be implemented immediately and some will just take time.

The next big challenge will be the separation from Hospitality and the reconciliation of funds involved. Becky Wagner noted that all of the Maker's Square activity was transferred to the Maker's Square Landlord LLC which will be a big point of reconciliation for the 2021 audit.

Torie Brazitis thanked Chair King for his support and focus on financial policies, especially transparency and oversight of the ED.

David King noted that the by-laws for the board are relatively brief. Additionally, he said the prior board was scrambling to meet the needs of the Master Lease which entered into effect in 2018 and would have been a distraction during the time the SAO reports covered. He clarified that it was not an excuse.

David Timmons mentioned that it's rare for a government to be allowed to hire independent CPA's for an audit; the PDA is required to use the SAO for audits but what can be changed is moving from a two-year cycle to a yearly cycle.

Rodger Schmitt asked about the goals for this particular meeting. David Timmons said it was a place to discuss and ask questions and to begin considering policies to put in place.

Rodger Schmitt said he wanted to see two things come out of this discussion: establishing policies and guidelines for the board's oversight of the ED, and community outreach so people know what happened and what is being done about it.

Torie Brazitis shared her vision that systems be set in place so that it is easy for future board members to step into the role. Several members expressed agreement and support. Brad Mace thanked members for their comments and work on this issue.

Libby Wennstrom, City Council liaison, thanked David Timmons and the board for the informative timeline.

Heron Scott spoke to the ability of community members to step into roles in the board or PDA and emphasized the importance of transparent external communications around these issues, including the ability for partners and PDA to speak as one voice from Fort Worden.

V. Public Comment on Special Meeting Topics Only

Meriden Vitale read into the record a comment from Steve Reed: "How about a private audit every couple of years? Also, been following this for a while and think David and current staff are doing a great job. This board does not need to apologize for past sins."

VI. Adjourn

Rodger Schmitt made a motion to end the meeting, Celeste Tell seconded. The meeting was adjourned at 6:45 p.m.