



AUDIT PROCEDURES

Port of Camas-Washougal
Audit Period Ending: 12/31/2006

L.3.PS - Audit History

Procedure Step: **Audit History**

Done By: SAA, 9/16/2007

Review By: RLM, 1/6/2008

Purpose/Conclusion:

Purpose: To record the entity's audit history.

Conclusion: We have recorded the entity's audit history.

Record of Work Done:

We audit the Port of Camas-Washougal every two years. The Port has not had any reportable conditions in the past nine years. When recommendations are provided, management has responded to make modifications and adjustments. We believe this reflects Port management's desire and commitment to maintain a strong financial system with sufficient internal controls.

Reviewer's note: With this audit the Port's audit history will change due to two findings and a management letter. These conditions exist mostly due to the failure of the Port's internal control systems during the period of the Option Agreement between the Port and Riverwalk (November 2005 to November 2007). Major concerns during this period include:

The Port's internal control systems failed to properly document and validate expenditures it was instructed to pay by Riverwalk officials.

The Port's internal control systems failed to ensure compliance with terms of the Option Agreement for due diligence cost sharing.

The Board improperly created two new positions, one permanent (Director of Planning and Development - Walstra) and one temporary (Hanke), as direct reports to itself. We believe these actions were intended to circumvent the then Executive Director - Sheldon Tyler due to his cautionary position with regard to proceeding with the Riverwalk development. Also, our information indicated that Mr. Walstra is a close personal friend of one of the Riverwalk Development partners, John McKibbin. We were greatly concerned about the effect the creation of these two new direct reports had on the Port's internal controls.

By the time of the next audit we hope that the Port's control environment will have returned to its former health. Prior to the push for the Riverwalk development the Port's audit history was very rarely included a reportable condition.