



# AUDIT PROCEDURES

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

## J.11.PS - Internal Controls - Change in Management

### Procedure Step: Internal Controls

Done By: SAA, 11/18/2007

Review By: RLM, 1/17/2008

### Purpose/Conclusion:

Purpose: To evaluate internal controls over management structure to determine compliance with state statutes and separation of powers doctrine.

Conclusion: We evaluated internal controls over management structure and based on our testing we determined that the Port was not in compliance with state statutes or the separation of powers doctrine.

### Record of Work Done:

#### Background:

Sheldon Tyler served as Executive Director for the Port for over 22 years and until June 2007 was the only manager reporting directly to the Board. On June 4, 2007 the Board of Commissioners voted to hire Scot Walstra as the Director of Planning and Development beginning June 11, 2007. Mr. Walstra was hired as a full-time Port employee with full benefits and a salary of \$72,000 per year. A six-month probationary period allowed the Port time for job performance evaluation but the Director of Planning and Development position is not a consulting or temporary position.

#### Auditor Procedures/Results:

##### Director of Planning and Development

We obtained a Memorandum of Agreement dated June 4, 2007 signed by Commissioners Hargrave, Carroll and Gunderson and agreed to by Scot Walstra with his signature. Attached to this memorandum is a position description which states:

"Director of Planning and Development reports to: Port Commissioners."

No resolution was approved for this position at the time of our audit.

We obtained a copy of Scot Walstra's 2007 Employee Employment Enrollment to verify full-time employee status and full benefits.

We inquired as to whether this position had been posted and how many candidates were considered for this position. We obtained an email from Gary Perman, of Permantech.com dated April 10, 2007 to Byron Hanke, Port Consultant outlining a search proposal. Hanke handled negotiations between the Port and candidates. Mr. Hanke stated that two candidates considered were Mark Paras (a former Commissioner of the Port?) and Scot Walstra. Both these names are written on the proposal.

The job description states that this position includes "Manage all Port properties; develop and implement short and long range plans for all property including coordination of the Comprehensive Master Plan, Strategic Plan and site-specific plans; negotiate land leases, acquisitions and/or sales."



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The property identified in the option agreement with Riverwalk on the Columbia, LLC would be included as part of the duties of the Director of Planning and Development. On July 10, 2007 we met with Scot Walstra who informed us that the Riverwalk project was among his duties. *Walstra stated that the Commissioners told him that the Riverwalk project is going to happen and he will work to ensure it happens.*

*Mr. Walstra worked closely with Riverwalk principal, John McKibbin, one of the Riverwalk, LLC partners, at the Greater Vancouver Chamber of Commerce. While serving in the capacity of CEO for the Greater Vancouver Chamber of Commerce (GVCC) McKibbin appointed Walstra to Chair the GVCC Public Affairs Committee.*

### Organization Chart

We obtained a copy of the Organizational Chart revised July 2007 showing both the Director of Planning and Development (Scot Walstra) and the Executive Director (Sheldon Tyler) reporting to the Port Commission. See Org Chart \* *separate doc.*

### Port Consultant

On August 8, 2006 the Port hired Byron Hanke to work as a consultant to the Commissioners and Port Executive Director. A press announcement states "Mr. Hanke has been brought on board to help with the planning and development of several large projects being considered by the Port, and his duties and responsibilities will vary as the needs and requirements of those projects develop." The position job description states that the "consultant works at the direction and will of Commissioners" and reports to: "Directly to Commissioners" with communication to the Executive Director.

No professional service contract was in place authorizing the position of Port Consultant and Byron Hanke had not signed any such agreement at the time of our audit.

On August 27, 2007 we notified the Port that they failed to obtain a signed contract from Byron Hanke in August 2006 at the time of hire for the consultant position. On September 28, 2007, we received a contract for consultant work for the Port signed by Byron Hanke and Alan Hargrave, Commissioner. This agreement is not dated.

### Termination of Executive Director

On August 22, 2007 the Executive Director of 22 years, Sheldon Tyler, was terminated. A memorandum dated March 22, 2007 signed by Commissioners Hargrave, Carroll and Gunderson states that the Port Commission plans to hire a Director of Planning and Development thus changing the previous duties of the Executive Director. Included are new job descriptions for both Director of Planning and Development and Executive Director and an organizational chart showing both Directors reporting directly to the Commission.

See Executive Director Memo. \* *separate doc.*

The memo also states that the current Executive Director is expected to make efforts to "advocate for the positions and policies set by the Commissioners..."

### Internal Controls over Change in Management Structure

The Port internal control structure was weakened when the Board of Commissioners appointed a Director of Planning and Development that reports directly to the Commission in concurrence with the existing Executive Director. EX.6



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The job description for the Director of Planning and Development, states that this individual reports directly to the Port Commissioners. The director position was not established by resolution as required by law.

RCW 53.12.270

"The commission may delegate to the managing official of a port district such administrative powers and duties of the commission as it may deem proper for the efficient and proper management of port district operations. Any such delegation shall be authorized by appropriate resolution of the commission, which resolution must also establish guidelines and procedures for the managing official to follow."

An outside consultant was also hired to assist the Port in public outreach. This consultant reports directly to the Port Commissioners as stated in the job description. Two Directors and a consultant reporting directly to the Board, allows the Commissioners to assume a greater role over Port operations typically delegated to one Executive Director. This action compromises the Separation of Powers doctrine established to avoid concentration of governmental powers in one body and provide necessary internal control and limits over legislative and executive functions.

Knowing the Waters  
Section I, B. The Separation and Distribution of Powers  
3(c) Practical Considerations in Delegating Powers

"To the extent that a commission has lawfully delegated portions of its responsibility, the resulting spheres of authority should be recognized and honored, almost as though the separation of powers doctrine applied to the district in full force. Having appointed an auditor, treasurer or manager, and having established necessary policies and guidelines, the commission should generally respect the ability of those officers to exercise their powers within their legally established limits."

We recommend that the Port strengthen internal controls over its management structure and comply with the Separation of Powers doctrine by recognizing the administrative powers and duties of one Executive Director.

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### Knowing the Waters

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We recommend that the Port strengthen internal controls over its management structure and comply with the Separation of Powers doctrine by recognizing the administrative powers and duties of one Executive Director.

On August 27, 2007 we held an audit status meeting with the Commissioner Hargrave, Byron Hanke, Consultant, Scot Walstra, Director of Planning & Development and Shawn MacPherson, Attorney and notified them of the compromise in internal control structure created by hiring an additional director reporting to the Commission.

#### New Resolution 10-07

We received Resolution 10-07 on October 3, 2007 from Shawn MacPherson created to comply with RCW 53.12.270. The resolution states that the Director of Planning and Development "shall be under the supervision of the Executive Director..." This resolution was approved in the subsequent board meeting.