

# Secretary of State Audit Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division



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State of Oregon

**Columbia River Gorge Commission**

July 1, 2011 through June 30, 2012

Interstate Cooperative Agreement with Washington State Office of the State Auditor

2013-01  
January 2013

<http://www.sos.state.or.us/audits/index.html>

**Office of the Secretary of State**

Kate Brown  
Secretary of State

Brian Shipley  
Deputy Secretary of State



**Audits Division**

Gary Blackmer  
Director

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Salem, OR 97310

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January 7, 2013

The Honorable John Kitzhaber  
Governor of Oregon

Board of Commissioners  
Columbia River Gorge Commission

We performed auditing procedures for the Washington State Auditor's Office pursuant to the Interstate Cooperative Agreement for the Columbia River Gorge Commission Audit. The Washington State Auditor's Office was the principal auditor.

We performed our auditing procedures in accordance with generally accepted government auditing standards. We audited Oregon expenditures for appropriateness and for compliance with laws and regulations of the State of Oregon. As required by the interstate agreement, the Washington State Auditor's Office performed an audit of the Columbia River Gorge Commission and prepared Independent Auditor Reports on the commission's financial statement and on internal control over financial reporting as of and for the year ended June 30, 2012.

The Oregon Audits Division is issuing these reports as a matter of public information for the taxpayers of Oregon. Likewise, the Washington State Auditor's Office has issued the reports for public use in the State of Washington.

OREGON AUDITS DIVISION

A handwritten signature in black ink that reads "Gary Blackmer". The signature is written in a cursive style.

Gary Blackmer  
Director

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**Columbia River Gorge Commission**

Audit Period  
July 1, 2011 through June 30, 2012

Report No. 1008953

Issue Date  
January 7, 2013



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

January 7, 2013

Mr. Darren Nichols  
Columbia River Gorge Commission  
White Salmon, Washington

***Report on Financial Statements***

Please find attached our report on the Columbia River Gorge Commission's Statement of Expenditures – Budget to Actual, prepared by the Department of Enterprise Services.

We are issuing this report in order to provide information on the Commission's financial condition.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Columbia River Gorge Commission  
July 1, 2011 through June 30, 2012**

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# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

## State of Washington Columbia River Gorge Commission July 1, 2011 through June 30, 2012

Mr. Darren Nichols, Executive Director  
Columbia River Gorge Commission  
White Salmon, Washington

We have audited the special purpose financial statement of the Columbia River Gorge Commission, for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

December 17, 2012

# Independent Auditor's Report on Financial Statements

## **State of Washington Columbia River Gorge Commission July 1, 2011 through June 30, 2012**

Mr. Darren Nichols, Executive Director  
Columbia River Gorge Commission  
White Salmon, Washington

We have audited the accompanying Statement of Expenditures – Budget to Actual of the Columbia River Gorge Commission, for the year ended June 30, 2012. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Expenditures – Budget to Actual was prepared for the purpose of complying with the Columbia River Gorge Compact (for inclusion in the Commission's annual report), as described in Note 1, and is not intended to be a complete presentation of the Commission's assets, liabilities and revenue.

In our opinion, the Statement of Expenditures - Budget to Actual referred to above presents fairly, in all material respects, the financial position of the Columbia River Gorge Commission, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The report is intended for the information and use of the governing body and management of the Commission. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and the last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

December 17, 2012

# Financial Section

**State of Washington  
Columbia River Gorge Commission  
July 1, 2011 through June 30, 2012**

***FINANCIAL STATEMENTS***

Statement of Expenditures – Budget to Actual (Non-GAAP Basis) – General Fund –  
2012  
Notes to the Financial Statements – 2012

**Columbia River Gorge Commission  
Washington State Agency #460  
Oregon State Agency #350  
Statement of Expenditures - Budget and Actual (Non-GAAP Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2012**

<b>General Fund:</b>	<b>2011-2013 Budget</b>	<b>First Year Actual Exp. June 30, 2012</b>	<b>Second Year Actual Exp. June 30, 2013</b>
<b>Federal Expenditures:</b>			
USDA Forest Service - GIS Funding	31,000	11,805	-
BPA Grant	37,888	37,888	-
<b>Total Federal</b>	<b>68,888</b>	<b>49,693</b>	<b>-</b>
<b>Washington Expenditures:</b>			
Joint Operating	773,000	381,495	
Commissioners	32,000	12,383	-
<b>Total Washington</b>	<b>805,000</b>	<b>393,878</b>	<b>-</b>
<b>Oregon Expenditures:</b>			
Joint Operating	793,090	381,493	-
Commissioners	21,756	9,182	-
<b>Total Oregon</b>	<b>814,846</b>	<b>390,675</b>	<b>-</b>
<b>Total Agency</b>	<b>1,688,734</b>	<b>834,246</b>	<b>-</b>
<b>Summary</b>			
Washington & Oregon Joint	1,566,090	762,988	-
Washington Commissioners	32,000	12,383	-
Oregon Commissioners	21,756	9,182	-
Federal	68,888	49,693	-
<b>Total Agency</b>	<b>1,688,734</b>	<b>834,246</b>	<b>-</b>
<b>Less Oregon Commissioners</b>	<b>21,756</b>	<b>9,182</b>	<b>-</b>
<b>Total on Washington AFRS Reports</b>	<b>1,666,978</b>	<b>825,064</b>	<b>-</b>

**Columbia River Gorge Commission  
Washington State Agency No. 460  
Oregon State Agency No. 350  
Notes to the Financial Statement  
For the Fiscal Year Ended June 30, 2012**

**Note 1 - Summary of Significant Accounting Policies**

The accompanying Statement of Expenditures-Budget and Actual of the Columbia River Gorge Commission has been prepared to meet the requirements of the Columbia River Gorge Compact and the Interstate Cooperative Agreement between the Washington State Office of State Auditor and the Oregon Secretary of State, Audits Division. The Statement of Expenditures-Budget and Actual is not intended to be a complete presentation of the commission's assets, liabilities, and revenues nor does it constitute a complete set of financial statements in accordance with generally accepted accounting principles. The more significant of the state's accounting policies are as follows:

**A. Reporting Entity**

The commission is a regional agency authorized by Congress through the Columbia River Gorge National Scenic Area Act (PL 99-663) and created by the states of Washington and Oregon by interstate compact. The commission is comprised of 12 members from the two states and one member appointed by the US Secretary of Agriculture. Its primary role involves planning, consulting, and oversight in the implementation of the federal legislation. The commission has an authorized staff level of 9.0 FTEs, all of whom are Washington state employees.

**B. Measurement Focus and Basis of Accounting**

The commission uses the general fund to account for all of Columbia River Gorge Commission's general activities. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The general fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements for this fund present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) as changes in net current assets.

The modified accrual basis of accounting is used by the general fund. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Under modified accrual accounting, expenditures are recognized when the related fund liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include principal and interest on general long-term indebtedness which are recognized when due and compensated absences which are recognized when paid.

## **C. General Budgetary Policies and Procedures**

The legal level of budgetary control is at the fund/account, agency and appropriation level, with administrative controls established at lower levels of detail in certain instances. Annual budgets are established at the state legislative level through an allotment process. All funding is provided by appropriations from the states of Washington and Oregon. Other sources of revenue received during the period, included receipts from the Department of Agriculture – Forest Service, and miscellaneous donations from private parties.

Commissioner compensation, including travel, is paid directly, and accounted for separately, by each state. All other commission expenditures are joint expenditures, which are shared equally by both states. These expenditures are processed, paid, and accounted for by the state of Washington. Oregon reimburses Washington for its 50 percent share.

## **D. Compensated Absences**

### Annual Leave and Sick Leave

Commission employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days at the employee's anniversary date. It is the commission's policy to liquidate unpaid annual leave at June 30 from future resources rather than currently available expendable resources.

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested; i.e., the commission does not pay employees for unused sick leave upon termination except upon employee death or retirement. At death or retirement, the commission is liable for 25 percent of the employee's accumulated sick leave. In addition, the commission has a "sick leave buyout option" in which each January, employees who accumulate sick leave in excess of 60 days may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave. It is the commission's policy to liquidate unpaid sick leave at June 30 from future resources rather than currently available expendable resources. Accordingly, the general fund recognizes sick leave when it is paid.

### **Note 2 - Retirement System**

Commission employees are members of the Washington state retirement system. (Actuarial and other information of this system can be found in the Washington State Comprehensive Annual Financial Report.)

### **Note 3 - Summary of Significant Litigation**

At this time the Columbia River Gorge Commission is not a party to any litigation that may result in a financial liability.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Larisa Benson**  
**James E. Brittain, CPA, CFE**  
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