

Office of City Auditor

Improving City Oversight of the Seattle Indian Services Commission

City of Seattle
Office of City Auditor

Susan Cohen, City Auditor





City of Seattle Office of City Auditor

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To make City government as efficient, effective, equitable, and accountable as possible.

Background:

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Internal auditing, as defined by The Institute of Internal Auditing, is:

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City of Seattle
Office of City Auditor



Susan Cohen, City Auditor

February 25, 2008

The Honorable Greg Nickels
Seattle City Councilmembers
City of Seattle
Seattle, Washington 98104-1876

Dear Mayor Nickels and City Councilmembers:

Attached is our study on Improving City Oversight of the Seattle Indian Services Commission. We determined that the Commission's management practices complied with 90 percent of its City Charter mandates and the Commission's rules and regulations. Despite an excellent bond payment history, however, the Commission did not fully comply with the terms of the City's Cooperation Agreements that guarantee the Series 2002 and Series 2004 Special Obligation Bonds for the Leschi Center and Pearl Warren buildings and require special bond-related accounts.

In addition, the Commission had not established an adequate system of internal controls, including comprehensive financial policies and procedures, and executed payments to employees that were not consistent with State law. The Commission also engaged in contracting practices that did not adhere to Washington State public works laws in awarding multiple construction contracts between 2002 and 2005 to repair major damage sustained during the Nisqually Earthquake. The Commission's contracting practices may have also been inconsistent with the Seattle Municipal Code provisions governing public corporations. The Commission has already taken action to respond to the compliance issues identified during our review, but could also benefit from improved oversight by the City's (PDA) Public Development Authority Coordinator as discussed in the report findings and recommendations.

We appreciate the excellent cooperation received from the Seattle Indian Services Commission and the PDA Coordinator during our review process. If you have any questions regarding this report or would like additional information, please call me at 233-1093 or Megumi Sumitani at 233-1096. To improve our work, we ask our readers to complete and return the evaluation form at the back of this report.

Sincerely,

A handwritten signature in black ink that reads "Susan Cohen".

Susan Cohen
City Auditor

Enclosure

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February 25, 2008

Improving City Oversight of the Seattle Indian Services Commission

Why We Did This Audit

In 1998, the City Council asked the Office of City Auditor to periodically conduct performance and compliance audits of the City-chartered public development authorities (PDAs). Between 1998 and 2002, the Office of City Auditor conducted its first series of PDA audits, including an audit of the Seattle Indian Services Commission. Given that five years had passed since the initial audit series, the City Auditor determined that another cycle of PDA performance and compliance audits would be appropriate.

We initiated the study on the oversight of the Seattle Indian Services Commission, a City-chartered public development authority, to determine whether the Commission's operations were consistent with City policies and procedures. The audit review period was from between July 2000 to August 2007.

Background

Public Development Authorities (PDAs) are unique, independent public corporations chartered by the City to fulfill a public mission or purpose. Each PDA performs its Charter-mandated functions as a separate, self-sustaining legal entity, but is also required to meet certain obligations required by Washington State laws and the Seattle Municipal Code for public corporations (e.g., annual independent audits; filing requirements with the Mayor, City Council, and City Clerk; conduct open public meetings, etc.). This arrangement provides for the accomplishment and accountability of special purpose public activities without assuming them into the regular functions of City government.

The Seattle Indian Services Commission is one of eight public development authorities currently chartered by the City of Seattle. Each PDA is governed by a volunteer council, commonly called a governing board, which establishes policies, over-

sees activities and staff, and manages property or facilities transferred by the City to the PDA.

Despite the independence of the PDAs, the City of Seattle has provided oversight in varying ways, such as confirming the appointments to each PDA council. The City also employs a PDA Coordinator to provide oversight and assistance to the public corporations. Prior to 2002, the PDA Coordinator was a full-time position within in the Strategic Planning Office. Due to budget cuts, PDA coordination is now one of many responsibilities assigned to a Fiscal and Policy Analyst in the Finance Department.

Conclusions

We determined that the Seattle Indian Services Commission's management practices complied with more than 90 percent of its City Charter mandates and the Commission's own rules and regulations (see summary of compliance items by category on the reverse side). Despite an excellent bond payment history, however, the Commission did not fully comply with the terms of the City's Cooperation Agreements that guarantee the Series 2002 and Series 2004 Special Obligation Bonds for the Leschi Center and Pearl Warren buildings and require special bond-related accounts.

We also determined that approximately one-third of the regular and semi-annual Commission Council meetings scheduled during the past five years were not held due to the absence of a quorum. In addition, the meeting minutes did not explicitly address the purpose of various action items or individual Council member votes as mandated by the City to ensure accountability in the governance and operations of PDAs. We also identified inconsistencies with the Commission's system of management/internal controls, including its financial policies and procedures; payments made to

employees were not consistent with State law; contracting practices that did not adhere to Washington State public works laws in awarding multiple construction contracts; and contracting practices that may have been inconsistent with the Seattle Municipal Code provisions governing public corporations.

Summary of Seattle Indian Services Commission Compliance with Charter Mandates by Category			
Compliance Category	Full Compliance	Partial Compliance	Non Compliance
Mission and Purpose	2	0	0
Council Composition	9	1	0
Appointments to Council, Officers & Committees	12	0	0
Council Roles and Responsibilities	20	3	1
Charter Restrictions and Prohibitions	3	0	0
Charter/Rules & Regulations/Revisions	7	0	0
Administrative Roles and Responsibilities	3	0	0
Administrative Provisions	9	2	1
Other Administrative Provisions	4	0	0
Total Compliance for All Categories	69 of 77	6 of 77	2 of 77
Percent Compliance for All Categories	90%	7%	3%

We also found that the City reduced its full-time coordination of the PDAs, resulting in less continuity of oversight. We believe that some of the Seattle Indian Services Commission issues may not have occurred, or could have been mitigated, if the City maintained a more consistent level of oversight.

Recommendations

While the Seattle Indian Services Commission was generally well-managed, the following recommendations could help the Commission improve its management/internal controls and

achieve fuller compliance with the City Charter and other mandates: Develop a plan to ensure appointments are made promptly to regular Commission Council positions and members regularly attend scheduled meetings. Also appoint alternate members to the Council to promote timely appointments of successors when regular Council members' terms expire.

- Explicitly describe the deliberations and individual votes of Council members, particularly for transactions requiring the concurrence of the Council, in the regular and semi-annual meeting minutes as mandated by the City Charter and its Rules and Regulations.
- Comply with Washington State public works laws and City Charter in executing contracts.
- Develop an effective management/internal control system for executing and documenting payments.
- Request an advisory opinion from the City Ethics and Elections Commission/Executive Director on questions relating to contracting and Council appointments, and whether additional measures are necessary to avoid the appearance of ethics issues.
- Continue its efforts to 1) establish bond-related accounts and balances, and 2) develop a capital budget and a more comprehensive long-term maintenance and system repair/replacement program for the Leschi Center and Pearl Warren Building, as required by the City Cooperation Agreements that guarantee the tax exempt bonds.
- Ensure greater continuity in City representation at the Seattle Indian Services Commission Council meetings and continuity of general oversight, to help promote full compliance with the City Charter, City Code and the Bond Cooperation Agreements, and other City and code requirements.

A copy of the Office of City Auditor's full report can be obtained at the office Web site at <http://seattle.gov/audit> or by calling (206) 233-3801. Please direct any questions or comments regarding this report, or suggestions for future audits, to Susan Cohen, Seattle City Auditor, at (206) 233-3801 or susan.cohen@seattle.gov

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CHAPTER 1: INTRODUCTION AND BACKGROUND

Public Development Authorities (PDAs) are unique, independent public corporations chartered by the City to fulfill a public mission or purpose. Each PDA performs its Charter-mandated function as a separate, self-sustaining legal entity, but is also required to meet certain obligations required by Washington State laws and the Seattle Municipal Code for public corporations (e.g., annual independent audits; filing requirements with the Mayor, City Council, and City Clerk; conduct open public meetings, etc.). This arrangement provides for the accomplishment and accountability of special purpose public activities without assuming them into the regular functions of City government.

The Seattle Indian Services Commission is one of eight public development authorities currently chartered by the City of Seattle. The other public development authorities are:

- Burke Gilman Place Public Development Authority
- Capitol Hill Housing Improvement Program
- Historic Seattle Preservation and Development Authority
- (Seattle Art) Museum Development Authority
- Pacific Hospital Public Development Authority
- Pike Place Market Public Development Authority
- Seattle Chinatown/International District Public Development Authority

Each PDA is governed by a volunteer council, commonly called a governing board, which establishes policies; oversees activities and staff; and manages property or facilities that were transferred by the City to the PDA. For example, an eight-member Council, whose members are appointed by the Seattle Indian Services Commission's four constituent agencies, provides governance and oversight of the Commission's operations, staff, and facilities. The success or failure of a public corporation is dependent on its council's or board's to ability to manage its Charter-mandated functions and ongoing agency operations.

Despite the independence of the PDAs, the City of Seattle has provided oversight in varying ways, such as confirming the appointments to each PDA council. The City also employs a PDA Coordinator to provide oversight and assistance to the public corporations. Prior to 2002, the PDA Coordinator was a full-time position within the Strategic Planning Office. Due to budget cuts, PDA coordination is now one of many responsibilities assigned to a Fiscal and Policy Analyst in the Finance Department.

In 1998, the City Council asked the Office of City Auditor to periodically conduct performance and compliance audits of the City-chartered PDAs. Between 1998 and 2002, the Office of City Auditor conducted its first series of PDA audits, including an audit of the Seattle Indian Services Commission that was published in 2000. Given that five years have passed since the initial PDA audit series, the City Auditor determined that another series of PDA performance and compliance audits would be appropriate.

STUDY OBJECTIVE

The Seattle Office of City Auditor initiated the study on the oversight of the Seattle Indian Services Commission, a City-chartered public development authority, to determine whether the Commission's operations were consistent with City policies and mandates. We found that the Commission's operations substantially complied with the City Charter and its own rules and regulations. (Appendix 1 contains detailed list of Charter mandates and Commission rules and regulations.)

However, the Commission did not fully comply with Charter-mandated regular and semi-annual meetings requirements; the terms of the City's Cooperation Agreements that guarantee the Special Obligation Bonds for the Leschi Center and Pearl Warren buildings; Washington State public works laws related to awarding construction contracts; or the Seattle Municipal Code in appointing multiple Commission Council members and in contracting for the operation of its Options Program. We also determined that the Commission could benefit from improved oversight by the City's PDA Coordinator to achieve full compliance with Washington State laws, the City Code, and other City mandates.

RESULTS IN BRIEF

The Seattle Indian Services Commission is generally well-managed, and achieves its mission in providing services to benefit the Native American/Alaskan Native community in Seattle. The Commission is also in compliance with more than 90 percent of the City Charter-mandated responsibilities and its own rules and regulations. However, some significant exceptions are noted including:

- Approximately one-third of the regular and semi-annual Commission Council meetings were not held as scheduled during the past five years (and half of the meetings scheduled during the past year) due to the absence of a quorum. In addition, the meeting minutes did not explicitly address the purpose of various action items, Council member deliberations, or the individual votes of Council members, as mandated by the City Charter to ensure accountability in the governance and operation of public development authorities.
- Despite its excellent bond payment history, the Commission did not establish and maintain the special bond-related accounts and balances to fully comply with the terms of the City's Cooperation Agreement that guarantee the Series 2002 and Series 2004 Special Obligation Bonds for the Leschi Center and Pearl Warren buildings.
- An adequate system of internal controls had not been established, including comprehensive financial policies and procedures, and payments were made to employees that were not consistent with State law.
- Multiple construction contracts were awarded to contractors between 2002 and 2005 to repair major damage sustained during the Nisqually Earthquake that did not adhere to Washington State public works laws.

- Multiple Options Program contracts were awarded and multiple Council appointments were made that raised questions regarding the Commission’s compliance with Seattle Municipal Code (SMC) provisions governing public corporations (Chapter 3.110).
- The City reduced its full-time coordination and oversight of the eight PDAs. During our initial series of City audits, conducted between 1998 and 2002, we determined that the City provided robust oversight of the PDAs. We believe that some of the current Seattle Indian Services Commission compliance issues may not have occurred, or could have been mitigated, if the City maintained a consistent level of oversight.

BACKGROUND

The Seattle Indian Services Commission was established as a public corporation by the City of Seattle in 1972 for the purpose of providing effective, comprehensive, and coordinated programs, services, and activities to meet the unique needs of Seattle’s Native American/Alaskan Native residents. (Appendix 2 contains the Commission’s statement of purpose.) The Commission is comprised of eight representatives appointed by four constituent agencies:

- American Indian Women’s Service League,
- Seattle Indian Center,
- Seattle Indian Health Board, and
- United Indians of All Tribes Foundation.

The four constituent agencies jointly applied for the City charter in 1972. Each constituent agency appoints two members to the Commission, subject to the approval of the Seattle City Council.

The Seattle Indian Services Commission is currently staffed by three full-time employees: an Executive Director, an Assistant Director, and a Maintenance Worker. The Commission’s annual budget has averaged approximately \$1 million during the past five years. Long-term tenant leases comprise approximately 90 percent of the Commission’s annual revenues, and debt service expenses on the Leschi Center and Pearl Warren Building comprise approximately 65 percent of the Commission annual expenditures.

Seattle Indian Services Commission’s Provides Facilities Management for Native American/Alaskan Native Service Organizations

The Seattle Indian Services Commission’s primary function is to manage and operate facilities for service organizations that offer direct services for Native Americans/Alaskan Natives. Under the auspices of the Seattle Model City Program, the Seattle Indian Services Commission acquired its first property, the Henry Broderick Building, with a grant of \$600,000. The Seattle Indian Services Commission’s initial efforts were focused on building renovations to bring the facility into compliance with the City’s building code and to create appropriate space for its tenant organizations.

The Henry Broderick Building was sold in 1982. The proceeds were used to develop Commission property located at 12th Avenue South and South Weller Street. The Commission

completed construction of the Leschi Center on one parcel in 1988, and completed construction of the Pearl Warren Building on the second parcel in 1996.

The Seattle Indian Services Commission financed construction of both the Leschi Center and the Pearl Warren Building through tax-exempt Special Obligation Refunding Bonds guaranteed by the City. Bonds in the amount of \$4.67 million were issued for the construction of the Leschi Center, which contains the 14,000 square foot office and service facilities leased by the Seattle Indian Center, and a 28,000 square foot medical facility leased by the Seattle Indian Health Board. Bonds in the amount of \$6 million were issued for the construction of the Pearl Warren Building, which is a 22,000 square foot office complex that is substantially leased by the Seattle Indian Health Board for its administrative offices. In addition, the administrative offices of the Seattle Indian Services Commission and the American Indian Women's Service League craft shop, along with gathering space for the Native American/Alaskan Native community, are currently located in the Pearl Warren Building.

Seattle Indian Services Commission Provides Options Program and Scholarships for Native American/Alaskan Native Youth

In addition to its primary facilities development and management functions, the Seattle Indian Services Commission assumed management of *Traditions and Beyond*, the Native American craft shop formerly owned and operated by the American Indian Women's Service League. The Commission also operates an Options Program which explores lifestyle options for Native American/Alaskan Native youth. The Options Program provides tutoring, counseling, exposure to job opportunities, and other enrichment activities to prepare high school students for college and careers. The Commission also provides scholarships to assist college students, and has sponsored occasional career fairs for youth.

Tenant Agencies Provide Direct Services to the Native American/Alaskan Native Community

As noted above, both the Seattle Indian Center and Seattle Indian Health Board are tenants as well as constituent agencies of the Seattle Indian Services Commission. As envisioned by the Seattle Indian Services Commission Charter, these non-profit agencies provide direct social and health services for the Native American/Alaskan Native community.

In 1972, the Seattle Indian Center assumed responsibility for the social service programs formerly managed by the American Indian Women's Service League when the Seattle Indian Services Commission was formed. Currently, the Seattle Indian Center provides a range of social services, including a community meals program, food bank, child care, education, employment, transitional housing and other emergency assistance services for Native Americans/Alaskan Natives and economically disadvantaged Seattle residents.

The Seattle Indian Health Board is the largest urban Native American health care center in the country, and provides a range of direct health and education services to Native Americans/Alaskan Natives. These services include primary health care, pediatric health services, mental health, substance abuse treatment, and dental care services. In addition, the Seattle Indian Health Board operates the only Native Indian Family Residency Program in the nation in conjunction with the University of Washington's School of Medicine.

SCOPE AND METHODOLOGY

The Office of City Auditor initiated the study of *Improving City Oversight of the Seattle Indian Services Commission* in September 2007. The primary objective this study was to determine whether the Commission was in compliance with its Charter mandates; rules and regulations; and other City policies and directives applicable to public corporations.

Audit staff reviewed and analyzed relevant Washington State laws as well as City of Seattle ordinances and policies applicable to public corporations. In addition, audit staff reviewed both historic and current Seattle Indian Service Commission documents, including its policies and procedures and other internal controls for developing and managing facilities for tenant agencies serving the Native American/Alaskan Native community. All documents identified in the Official Records of Proceedings for the Series 2002 and 2004 Special Obligation Bonds were also reviewed, including the original Cooperation (Bond Guaranty) Agreements for both the Leschi Center and Pearl Warren Building. Audit staff also conducted multiple interviews with Commission management and the PDA Coordinator during the study.

The study of *Improving City Oversight of the Seattle Indian Services Commission* was conducted between September and November 2007, in accordance with generally accepted government auditing standards. The period of review was July 2000 to August 2007.

CHAPTER 2: SEATTLE INDIAN SERVICES COMMISSION

This chapter focuses on the review of the Seattle Indian Services Commission’s compliance with City ordinances, policies, and contractual agreements for public financing and operation of its facilities. Overall, the Commission is generally well managed, and in compliance with more than 90 percent of the City requirements for public corporations. However, we identified exceptions regarding the Commission’s compliance with Charter-mandated meetings requirements; the terms of the City Cooperation Agreements guaranteeing its Special Obligation Refunding Bonds; Washington State public works laws in awarding construction contracts; and the City Code in contracting for the operation of its Options Program. We also determined that the City’s PDA Coordinator could be more proactive in providing oversight and assistance to the Commission to ensure full compliance with State laws, the City Code, and other requirements.

CONCLUSION 1: The Seattle Indian Services Commission Generally Complies with 90 Percent of the City Charter Mandates and Its Rules and Regulations.

The Seattle Indian Services Commission generally complies with the City Charter, and its rules and regulations. The Commission and its constituent agencies have also successfully accomplished the objectives set forth in the purpose statement of the City Charter. Specifically, the Commission and its constituent agencies have established programs to expand housing; create job and income opportunities; reduce dependence upon welfare payments; improve educational facilities and programs; combat disease and ill health; decrease incidents of crime and delinquency; and enhance recreational and cultural opportunities.

The results of a detailed review of the Commission’s compliance with the requirements identified in the City Charter and in its rules and regulations are shown in Appendix 1, and summarized numerically by category below:

Exhibit 1			
Summary of Seattle Indian Services Commission Compliance with Charter Mandates by Category			
Compliance Category	Full Compliance	Partial Compliance	Non Compliance
Mission and Purpose	2	0	0
Council Composition	9	1	0
Appointments to Council, Officers & Committees	12	0	0
Council Roles and Responsibilities	20	3	1
Charter Restrictions and Prohibitions	3	0	0
Charter and Rules & Regulations and Revisions	7	0	0
Administrative Roles and Responsibilities	3	0	0
Administrative Provisions	9	2	1
Other Administrative Provisions	4	0	0
Total Compliance for All Categories	69 of 77	6 of 77	2 of 77
Percent Compliance for All Categories	90%	7%	3%

As shown in Exhibit 1, the Seattle Indian Services Commission fully complied with 69 (90 percent) and partially complied with six (seven percent) of 77 requirements identified in the City Charter and in its own rules and regulations. (The Commission’s compliance with the terms of the Cooperation Agreements for the Series 2002 and 2004 Special Obligation Refunding Bonds is addressed in Finding 5 below.) Noteworthy findings include:

- **Mission and Purpose**—The Commission consistently adhered to its mission of providing services to the Native American/Alaskan Native residents in the Seattle Community.
- **Council Composition**—The Commission observed the rights of the four member organizations in appointing Council members, and the Seattle City Council in confirming those appointments. However, alternate Council members were not appointed by the four member organizations, and regular Council member positions were not promptly filled as discussed in Finding 2 below.
- **Appointments to Council, Officers and Committees**—The Commission complied with City requirements related to Council appointments and terms of service, officer elections and meetings, and committee representation.
- **Council Roles and Responsibilities**—The Commission generally complied with City requirements relevant to its roles and responsibilities, and achieved Council concurrence on the business items identified by the City. Five exceptions were identified in this category, however, related to Council attendance, documentation of business matters that impede the timeliness and transparency of Council governance, and oversight as discussed in the findings below.
- **Charter Restrictions and Prohibitions/Charter and Rules and Regulations and Revisions**—The Commission observed the specified charter restrictions as well as mandates for developing and revising the content of the City Charter and its rules and regulations. These requirements include public notification of the Commission Council’s intent and clear communication of original text and proposed revisions.
- **Administrative Roles and Responsibilities/Administrative Provisions**—The Commission largely complied with administrative requirements identified in the City Charter and its rules and regulations. The one exception was the absence of a capital budget, required for all public corporations with estimated expenditures in excess of \$100,000, which makes it difficult to track capital revenues and expenditures. Questions also were raised about relatives of the Executive Director of an appointing agency serving on the Commission Council, and relatives of Commission employees serving as contractors as discussed in the findings below. Nevertheless, the Commission was responsive to all other administrative provisions.

RECOMMENDATION

None. Please see related recommendations regarding compliance issues in the next two findings.

FINDING 2: The Seattle Indian Services Commission Must Achieve Fuller Compliance with the City Code Provisions for Public Corporations and City Charter to Ensure Accountability in its Governance and Business Operations.

During our detailed compliance review, we identified several noteworthy compliance exceptions that impacted the accountability of the Commission’s governance and business operations as a public corporation. These exceptions included the inability of the Commission’s Council to hold approximately one-third of its regular monthly and semi-annual meetings as scheduled due to the absence of a quorum; the lack of alternate Council appointments by the four constituent agencies; and cursory meeting minutes that did not explicitly describe the deliberations and individual votes on transactions requiring the concurrence of the Council. The Charter specifically requires Council concurrence on transactions involving real estate, debts, pledging or donating corporate assets, adopting the annual budget(s), proposing amendments to the Charter or rules and regulations, and monetary transactions exceeding \$10,000 or extending beyond one year in duration.

The Commission is unable to fulfill these important obligations as a public corporation without the full cooperation of the four constituent agencies responsible for the appointment of regular and alternate Council members. The constituent agencies must first ensure that all appointments made to regular and alternate Council positions occur in a timely manner, and then monitor all appointees to confirm that they are diligently serving (and attending Council meetings regularly) to promote accountable governance. Improved Council attendance and oversight will help assure that the Commission achieves full compliance with the City Charter and code in carrying out its business operations. Another important step in achieving full compliance with City requirements is holding the management team accountable for bringing appropriate matters to the Council for approval and maintaining records of the Council deliberations and individual Council member votes on action items.

In the past, the City’s PDA Coordinator regularly attended the Seattle Indian Services Commission and other public corporation board/council meetings to remain informed about current operations and activities, and to provide assistance with the resolution of complex and sensitive governance issues. The City no longer has a full-time PDA Coordinator and the assigned Fiscal and Policy Analyst was not able to attend PDA meetings during a five-month period. Although the PDA Coordinator has been responsive to emergent issues, a consistent City presence at the Commission and other PDA board/council meetings would serve as a reminder of these special obligations as public corporations.

RECOMMENDATIONS

1. The Executive Directors of the Seattle Indian Services Commission and the four constituent agencies should develop a plan to ensure that appointments are made promptly to regular Council positions and that Council members regularly attend scheduled meetings. The four constituent agencies should also appoint alternate members to the Commission Council to promote timely appointments of successors when regular Council members complete their four-year terms.

2. The Executive Director and Assistant Director should explicitly describe the deliberations and individual votes of Council members, particularly for transactions requiring the concurrence of the Council, in the regular and semi-annual meeting minutes.
3. The PDA Coordinator should attend the Seattle Indian Services Commission Council and other PDA governance meetings more regularly to help promote full compliance with the City Charter and code requirements.

FINDING 3: The Seattle Indian Services Commission’s Contracting Practices Were Inconsistent with Washington State Law and Its City Charter.

As a public corporation, the Seattle Indian Services Commission is responsible for complying with Washington State law as well as the Seattle Municipal Code provisions governing public corporations. Several significant exceptions were also noted during our detailed compliance review, which were inconsistent with State law and the City Code. These exceptions include the Commission’s contracting practices for construction and program services.

The Seattle Indian Services Commission did not adhere to Washington State public works laws in awarding two separate construction contracts totaling \$230,983 to repair earthquake damages sustained during the Nisqually Earthquake. Specifically, the Commission did not advertise the bids for construction services; develop formal, written project contracts; adequately document the contract award to the lowest responsible bidder; and did not require a performance bond from the contractor. The Commission also released retainage funds to the contractor without obtaining certification from the Washington State Department of Revenue that prevailing wages and sales taxes were paid by the contractor, but later determined that the wages and taxes were paid.¹

In addition, the Commission did not comply with City Charter mandates requiring the Commission Council to approve contracts exceeding \$10,000, or with RCW 42.24.080 prohibiting payments to vendors in advance of services provided. Although the Executive Director indicated that the Commission Council approved payments exceeding \$10,000, there was no record of approval for two contracts totaling \$17,000 and \$13,000, and payments were made to a contractor in advance of the services received.

It is important to note that the Seattle Indian Services Commission has taken immediate action to correct compliance issues that were identified in previous Washington State Auditor’s Office and Office of City Auditor audits and studies. For example, the Commission acknowledged the public works compliance issues, which stemmed from the emergent nature of the repairs and the multiple agencies and regulations involved, and subsequently filed the necessary documentation with the State. However, the Commission inadvertently assumed considerable risk, such as

¹The Seattle Indian Center Executive Director and City PDA Coordinator reported these compliance exceptions to audit staff during our initial interviews. The exceptions were initially identified by the Washington State Auditor’s Office in its audit of the *Seattle Indian Service Commission, July 1, 2000 through June 30, 2002* (October 10, 2003).

additional cost if the contractor was unable to complete the project satisfactorily; legal action by workers earning less than the prevailing wage; and liability for any unpaid sales taxes.

A major factor contributing to the contractual compliance issues was the Commission's lack of comprehensive policies and procedures, oversight and monitoring tools necessary for an effective internal control system to avoid or mitigate the risk of loss or misuse of public resources. Effective internal controls, coupled with more proactive oversight by the PDA Coordinator, could have potentially precluded the occurrence of some of the compliance issues, or ensured that corrective action was taken to address the issues in a timely manner.

RECOMMENDATIONS

4. The Executive Director of the Seattle Indian Services Commission should ensure that all future public works contracts are executed in compliance with Washington State public works laws.
5. The Seattle Indian Services Commission Executive Director should develop an effective internal control system to ensure that all contracts exceeding \$10,000 are approved by the Commission Council prior to execution and documented appropriately as required by the City Charter.
6. The Commission Council and PDA Coordinator should provide more proactive oversight and monitoring to not only ensure that an effective internal control system is developed, but also confirm that unique or significant business activities are executed in accordance with the controls.

CONCLUSION 4: Some Seattle Indian Services Commission's Contracting Practices and Council Appointments May Not Comply with City Code Provisions for Public Corporations.

During our recent review of the Seattle Indian Services Commission, we determined that multiple service contracts were awarded and multiple Council appointments were made that raise potential questions about the Commission's compliance with the City Code provisions governing public corporations. Specifically, SMC 3.110.560(A)(1) prohibits corporate officials or employees from engaging in any transaction or activity which is, or would appear to be, in conflict with of official duties, or which impairs, or would appear to impair, the officer's or employee's independent judgment or action in performing official duties. SMC 3.110.560(A)(7) requires public officials and employees to disclose immediate family relationships prior to the time that the PDA enters into a contract or other transaction involving an immediate family member.

The Seattle Indian Services Commission Executive Director executed multiple contracts with an immediate family member to operate the Options Program during the past six years.² The

² The Options Program explores lifestyle choices and provides tutoring, counseling, and other enrichment activities to Native American/Alaskan Native youth during the summer.

Executive Director's relative, who is a professional educator and originally developed the grant application to fund the Options Program, was awarded the contract on a "sole source" basis. Although the Executive Director's relative is not a dependent or "in-residence" family member as defined in SMC 3.110.020(M), the Commission acknowledges that the sole source contracting arrangement "*might appear to create a conflict and that is why the Commission followed the requirements to 'disclose such interest prior to the formation of the contract.'*"

In addition, an official of one Seattle Indian Services Commission constituent/tenant agency has appointed multiple family members to the Commission Council, including her husband and son-in-law. At times, questions were raised about whether the appointed Council members were taking formal positions or actions during meetings that were primarily beneficial to the one constituent agency rather than beneficial to the public corporation and all four constituent agencies. SMC 3.110.560(A)(1) and (2), for example, each prohibit public corporation officials or employees from engaging in conduct that is, or would appear to a reasonable person to be, a conflict of interest.

Given that questions have been raised in the past and could potentially impact current transactions, we believe the Seattle Indian Services Commission or Executive Director should request an advisory opinion from the City's Seattle Ethics and Elections Commission or its Executive Director on the application of SMC Section 3.110.560(A) to the situations described above. Again, this is important because SMC 3.110.560(A) covers transactions and activities which not only *would be* but also *would appear to be* in conflict with official duties, or which *impairs*, or *would appear to impair*, independent judgment or action in performing official duties.

The Executive Director of the Seattle Ethics and Elections Commission, who was consulted during the audit review process, indicated that he expects the Ethics Commission would be willing to provide an advisory opinion, if requested, by the Seattle Indian Services Commission. Although SMC 3.110.580 sets forth a process for a PDA to request an advisory opinion in the event of a formal ethics complaint and investigation, the section does not preclude the Seattle Indian Services Commission from requesting an advisory opinion for general information purposes.

More proactive PDA coordination would also have been helpful to the Commission in navigating potential contracting and appointment issues with ethical considerations. For example, the PDA Coordinator could have encouraged the Commission to request an official advisory opinion from the Seattle Ethics and Elections Commission to inform similar transactions and decisions in the future.

RECOMMENDATION

7. The Executive Director of the Seattle Indian Services Commission should consult with the City's Ethics and Elections Director to determine whether its current contracting and appointment practices involving family members are consistent with State and City Ethics laws, or whether additional measures are necessary to avoid the *appearance of* an ethics issue.

FINDING 5: Despite Its Excellent Bond Payment History, the Seattle Indian Services Commission's Compliance with the City Cooperation Agreements Guaranteeing the Special Obligation Refunding Bonds Could Be Improved.

The Seattle Indian Services Commission SISC has an excellent payment history on both the Series 2002 and 2004 Special Obligation Refunding Bonds guaranteed by the City. Consistent with the Cooperation Agreements, the Commission has established the required Debt Service Accounts and Debt Service Reserve Accounts, and deposits sufficient funds each month to make the principal and interest payments to the Debt Service Accounts for both the Series 2002 and 2004 bonds. The Commission also adheres to the Debt Service Reserve Requirements for both the Series 2002 and 2004 bonds.

Despite the Seattle Indian Services Commission's excellent bond payment history, its compliance with the Cooperation Agreements guaranteeing the Special Obligation Refunding Bonds could be improved. The Commission did not establish the Revenue Funds, Capital Reserve Funds, or Operation and Maintenance Funds required by the Cooperation Agreements for both the Leschi Center and the Pearl Warren Building. In addition, the Commission did not make an initial deposit of \$100,000 into the Capital Reserve Funds for either facility at project completion due to lack of funds, or made annual payments into Capital Reserve Funds or Operating and Maintenance Funds based on estimated expenses for each facility.

Nevertheless, the Commission generally maintains the Leschi Center and Pearl Warren Building in good repair and develops an annual square foot allocation for all operating and maintenance expenses that are charged to the two tenant constituent agencies that occupy the facilities – the Seattle Indian Center and the Seattle Indian Health Board. In addition, the Commission has established an annual budget with a series of line item accounts for the operation and maintenance of both the Leschi Center and Pearl Warren Building based on the estimated expenses for operating and maintaining each facility.

Although the Commission also considers the amount required to replace or repair deteriorating building systems annually for both the Leschi Center and Pearl Warren Building during the development of its annual budget, it has not developed a long-term repair and replacement schedule or established a capital budget based on the expected life its facilities based on life cycle cost analysis. The Executive Director acknowledged that some deferred system repairs and maintenance projects were made when the Nisqually Earthquake damages were addressed and covered by Federal Emergency Management Agency (FEMA) grants.

The City Charter as well as the Cooperation Agreement requires the Commission to develop a capital budget as a public corporation with an annual budget that exceeds \$1 million. The absence of a capital budget also makes it difficult to track capital revenues and expenditures throughout the annual budget cycle. For example, the Commission received \$550,383 in FEMA grants for damages to both facilities sustained during the Nisqually Earthquake that were not recorded in the operating budget that the Council reviews monthly and adopts annually. Even though the funds were recorded as grant revenue in the Commission's annual financial statements, the Commission is responsible for maintaining accountable financial operations. A capital budget would ensure that the Commission Council reviews and approves both operating and capital revenues and expenditures, as well as provides a record of Council action consistent with the City Charter and Seattle Municipal Code.

It should be noted the Seattle Indian Services Commission has already taken action to establish new bond accounts and/or rename existing accounts to comply with the Cooperation Agreements and to develop a capital budget consistent with the terms of the Cooperation Agreement and City Charter. In addition, the Seattle Indian Services Commission plans to develop a more comprehensive long-term building maintenance and system repair and replacement program for the Leschi Center and Pearl Warren Building.

RECOMMENDATIONS

8. The Executive Director of the Seattle Indian Services Commission should continue efforts to establish the bond-related accounts and account balances to comply with the terms of the Cooperation Agreements. The Executive Director should also develop a capital budget and more comprehensive long-term maintenance and system repair and replacement program for the Leschi Center and Pearl Warren Building, consistent with the terms of the Cooperation Agreement and City Charter.
9. The PDA Coordinator should provide assistance and monitor the Seattle Indian Services Commission efforts to establish the special bond accounts, capital budget and comprehensive long-term building maintenance and system repair program, as necessary, to ensure full compliance with the Cooperation Agreements.

FINDING 6: Improved City Oversight Is Needed to Ensure the Seattle Indian Services Commission Fully Complies With State and City Legal Requirements.

As noted in several findings and recommendations above, the Office of City Auditor believes that improved City oversight and assistance is needed to enable the Seattle Indian Services Commission to achieve full compliance with its responsibilities as a public corporation. Despite good faith efforts, the volunteer Commission and current management team do not have the staff and other resources required to achieve full compliance with Washington State laws, the City Code, and other City requirements.

Recognizing the staffing and resource limitations of some PDAs, the City previously employed a dedicated, full-time PDA Coordinator to serve as a liaison between the City, the PDAs, and the

community, and provide continuous monitoring of significant agency activities. The former dedicated PDA Coordinator served in the position for more than 10 years. At that time, the specific responsibilities of the PDA Coordinator included:

- Reviewing PDA program operations for compliance with the City charter and for compliance with SMC 3.110, which governs public corporations.
- Providing information, analysis and briefings, as well as staff support on current or proposed public corporation operations and issues to City elected officials and staff; the public; the press, and other jurisdictions.
- Assisting City and public corporation officials and staff with the resolution of complex and sensitive issues, and serving as a liaison between the PDAs and other City departments.
- Reviewing PDA annual budgets, financial reports, and audit reports, which are submitted either annually or semi-annually based on mandated reporting requirements.
- Assisting the City with identification, selection and confirmation of individuals to serve on the PDA Councils. (Some PDA Council members are appointed by the Mayor, and all appointments are subject to confirmation by the City Council.)
- Evaluating PDA's compliance and performance in relation to City policies and goals.

Appendix 3 provides a listing of the select schedules and reporting requirements for public corporations relevant to the PDA Coordinator's oversight responsibilities.

During a City reorganization necessitated by a severe recession between 2001 and 2004, the dedicated PDA Coordinator position was eliminated, and the position responsibilities were transferred to a full-time Fiscal and Policy Analyst in the City Finance Department. The decision to eliminate the PDA Coordinator position was made with the full knowledge of the Mayor and City Council.

The Finance Director's rationale for a more flexible PDA coordination staffing model is to allow for better use of limited City resources. This includes use of other Finance Department staff with specialized expertise to provide more targeted and intensive monitoring and technical assistance to all PDAs as specific projects or needs arise. However, the current analyst has multiple responsibilities other than PDA coordination, which include serving as the Capital Improvement Program (CIP) Coordinator, Lead User of the CIP Database, and Cumulative Reserve Subfund Analyst. Due to pressing budget responsibilities, the current PDA Coordinator's capacity to attend to routine PDA issues between May and September is limited.

More importantly, the City staff has not provided continuity in coordinating services for the PDAs since the dedicated position was eliminated, due to high staff turnover in the Fiscal and Policy Analyst position. Between June 2002 and November 2007, PDA coordination has been assigned to five different analysts and the average length of service was 1.3 years during the period.

Given the issues identified during the audit report, however, we believe the City needs to improve the continuity of oversight and coordination services to the PDAs, particularly those that

have long-standing compliance issues as well as emergent issues. The absence of effective oversight by the Seattle Indian Services Commission Council and current staffing limitations are barriers to its ability to achieve full compliance with its public mandates.

RECOMMENDATION

The Mayor and City Council should develop a plan that provides targeted oversight and assistance to the Seattle Indian Services Commission and other City-chartered public corporations that have long-standing governance or operational issues.

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APPENDIX 1

**SEATTLE INDIAN SERVICES COMMISSION (SISC)
PUBLIC DEVELOPMENT AUTHORITY COMPLIANCE MATRIX**

Full Compliance—Green	Partial Compliance—Yellow	Non-Compliance—Red	
ACTIVITIES/REQUIREMENTS		IN COMPLIANCE	COMMENTS
	YES	NO	
MISSION AND PURPOSE			
Provide effective, comprehensive and coordinated planning services, activities and programs that meet the unique needs of the many Indian residents of Seattle who are scattered through the City.	Green		SISC adheres to its mission of providing coordinated services that meet the needs of Seattle’s Indian residents both directly and through the services offered by its tenant agencies—the Seattle Indian Center (SIC) and the Seattle Indian Health Board (SIHB).
SISC carry out programs to: <ul style="list-style-type: none"> ▪ Expand housing, job and income opportunities; ▪ Reduce dependence upon welfare payments; ▪ Improve educational facilities and programs; ▪ Combat disease and ill health; ▪ Reduce the incidence of crime and delinquency; ▪ Enhance recreational and cultural opportunities; and ▪ Generally improve the living conditions of all the people who live within Seattle. 	Green		SISC has consistently provided services for Native American groups, but some services are more narrowly focused than implied in the original Charter. SISC and its member agencies provide the services identified, and SISC offers community space to other Native American groups that sponsor such opportunities.
COUNCIL COMPOSITION			
The management of all Commission affairs shall reside in a Council composed of eight members.	Green		The SISC Council members actively attend to management issues during the regular and semiannual meetings. However, inconsistent attendance is an issue that should be addressed by the member organizations.
Two members shall be appointed by the: <ol style="list-style-type: none"> (1) United Indians of All Tribes Foundation; (2) Seattle Indian Center; (3) Seattle Indian Health Board; and (4) American Indian Women’s Service League. 	Green		Although SISC respectfully observes the rights of the member organizations in appointing two members each, the member organizations have not promptly appointed new members. For example, one United Indians of All Tribes Foundation position has been vacant for three consecutive months.
Each of the four organizations described above shall also appoint two alternate members to the Commission, who shall be appointed in the same manner as Council members and authorized to attend all Council meetings.		Yellow	SISC has not appointed “alternates” as provided by the Charter, because of the requirement to have a quorum of regular Council members. However, the appointment of alternatives could expedite the process of appointing regular Council members.
An alternate may vote at a meeting only if the alternate has specific written voting instructions from an absent member from the same appointing organization that specify the issue and position for each vote.	Green		SISC has not appointed “alternates” as provided by the Charter, because of the requirement to have a quorum of regular Council members. The timely appointment and attendance of regular members and alternatives should be addressed.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
COUNCIL COMPOSITION			
A meeting quorum may not be formed based on the presence of alternates, whether or not the alternates have written voting instructions.	Green		SISC Council adhered to this requirement when alternatives were appointed and served in the past.
The names of members appointed by each of the four organizations shall be promptly submitted to the City Council for confirmation.	Green		The Commission promptly submits Council member rosters to the City Clerk. A current roster of Council members is now on file with the City Clerk's Office.
Any person whose name and supporting documentation have been submitted to the City Council for confirmation shall have the full powers responsibilities of a confirmed Council member, unless rejected by the City Council	Green		SISC Council members have full authority and responsibilities for business matters after the appropriate documentation has been transmitted to the City PDA Coordinator and City Clerk.
The Mayor and City Council may, by ordinance, remove any and all Council members from office after a full public hearing and selection of appropriate replacements.	Green		No SISC Council members have been involuntarily removed from office.
The term of any Council member removed pursuant to this section shall expire when the member receives a copy of the ordinance removing him or her from office and a letter signed by the Mayor advising him or her that he or she has been removed pursuant to this section.	Green		No SISC Council members have been involuntarily removed from office.
The term of any person appointed and confirmed shall begin on the expired term of the person being replaced and shall continue until after the regular expiration of the position being filled.	Green		SISC complies with this requirement although member organizations do not always promptly choose replacement appointees to the Council.
APPOINTMENTS TO COUNCIL, OFFICERS AND COMMITTEES			
No Council member shall be an employee of any of the selecting organizations.	Green		SISC and the member organizations currently comply with this requirement.
Appointments shall be made every four years.	Green		SISC member organizations reappoint Council members every four years as required.
Council appointments must be made in writing by the appointing organization, with the approval of the appointing organization.	Green		SISC member organizations submit written letters of appointment for Council members.
New Council or reappointed Council members shall deliver a written letter of appointment from the appointing organization for the term.	Green		SISC and the member organizations have complied with this requirement.
Council vacancies shall be filled by the constituent organization.	Green		Each SISC member organization assumes responsibility for its two Council member appointments.
Council members absent from three consecutive meetings that are not authorized by the concurrence of the Council, or absent from five regular meetings in any 12-month period, shall be subject to forfeiture of their position.	Green		No SISC Council members have been involuntarily removed from office due to unauthorized attendance for three consecutive meetings, but inconsistent attendance is an issue that should be addressed to ensure appropriate and timely representation.
Upon reasonable notice of the reasons for dismissal, the Council majority may remove any officer from office, but not from the Council.	Green		No SISC Council members have been involuntarily removed from office.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
APPOINTMENTS TO COUNCIL, OFFICERS AND COMMITTEES			
The Council shall fill any vacant office with a successor who shall hold office for the unexpired term, and until his/her successor shall have been duly elected and qualified.	Green		The SISC Council has complied with this requirement.
The Council majority may, by resolution, designate from among its members one or more committees, each consisting of at least three or more members, to represent the Council on matters other than those that require full Council concurrence as described below.	Green		SISC Council members have established an Executive Committee and a subcommittee to represent the Council in on select business matters through Council approved amendments to its Rules and Regulations.
Leschi Center Committee. A standing committee, appointed by a majority of the Council, shall be responsible for reviewing management of the Leschi Center. Membership shall include a representative from each Leschi Center tenant, but non-tenant representatives may also be appointed. The Committee shall report regularly to the Council.	Green		The Commission's recently proposed revisions to its Rules and Regulations to disestablish this subcommittee. Matters pertaining to the Leschi Center are considered by the full Council.
The person elected as Committee Chair shall act as Chair of the Council, and the person elected Secretary of the Committee shall act as Secretary to the Council.	Green		SISC complies with this provision as the full Council hears all matters pertaining to the Leschi Center.
Meetings of the Council shall also be deemed to be meetings of the officers of the corporation.	Green		SISC Council meetings are also deemed to be meetings of the officers.
COUNCIL ROLES AND RESPONSIBILITIES			
General Council concurrence by resolution shall be necessary for the following transactions: 1. Transferring interest in real estate other than a release of a lien or satisfy a mortgage, and execution of a lease for less than one year; 2. Contracting debts, issuances or notes, debentures, bonds, and the mortgaging or pledging of corporate assets 3. Donating money, property or other assets; 4. Acting as a surety or guarantor for SISC; 5. All transactions which: a. Exceed \$10,000, b. Extend over a period of one year, or c. Assume duties to the City, the State, or the United States; 6. A project or activity outside the City limits; 7. Adoption of annual budget and separate capital budget, when the expenditures are expected to exceed \$100,000; 8. Certification of annual reports and statements filed with the City Clerk as correct in the Council's opinion;		Yellow	Based on interviews with the Executive Director and review of the meeting minutes, the SISC Council does review and take formal action on transactions involving the full concurrence of the Council. However, the meeting minutes should explicitly describe Council members' deliberations and votes on such matters. The absence of good documentation is particularly important because the Washington State Auditor's Office determined that the SISC Council had not approved transactions and contracts exceeding \$10,000 as an issue in its July 2002-June 2004 and December 2006 audit reports.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
COUNCIL ROLES AND RESPONSIBILITIES			
General Council concurrence (continued): 9. Proposed amendments to the Charter or Rules and Regulations; and Such other transactions or duties specified by the City or SISC Council.		Yellow	
“Council concurrence” may be obtained at any regular or special Council meeting by an affirmative vote of a majority voting on the issue, provided that at least five Council members are in attendance at the time of vote. <i>A quorum to commence a Council meeting shall be no less than a majority of the Council’s total voting membership.</i>	Green		SISC’s meeting minutes indicate that a quorum and concurrence of a majority of the Council’s membership is established and documented when action is taken. SISC’s Rules and Regulations define as quorum as at least five Council members.
Voting membership means the total number of voting Council positions authorized by the Charter, whether filled or vacant. Council members may continue to transact business at meetings notwithstanding the withdrawal of enough members to leave less than a quorum.	Green		SISC Council meetings are routinely cancelled if the voting membership is insufficient to constitute a quorum.
Regular meetings shall be held at least once a month on the third Tuesday at 4:00 p.m. at the SISC Offices.	Green		SISC Council meetings are scheduled monthly at 4:00 p.m. but the start time may be reset to encourage improved Council member attendance.
Special Council meetings may be held at any place, at any time, whenever called by the Chairperson or majority of the Council.	Green		SISC rarely calls special council meetings, but does hold semi-annual meetings in addition to regular board meetings.
Notice of changed regular meetings shall be by telephone with 24 hours notice, or in writing three days prior to meeting.	Green		SISC has not recently changed the time or location of regular meeting times, but would comply with this provision if necessary in the future.
Notice of special council meetings shall be in writing and delivered personally, by mail or newspaper with 24 hours advanced notice, and to each local newspaper of general circulation and to each radio or television station that requested notice. The time and place of the special meeting, and business to be transacted must be specified in the notice.	Green		SISC has not scheduled a special Council meeting since 1994, but indicated advanced written notice with the time and location for the 1994 meeting was circulated to all interested parties.
At least quarterly, the Council shall review monthly statements of income and expenses, and compare budgeted to actual expenditures.	Green		SISC prepares both monthly and quarterly statements identifying the income received, and monthly and year-to-date expenditures in relation to the adopted budget.
When the operating budget is in excess of \$1 million, the Council shall review balance sheets for the previous three months each quarter at regular meeting, and note reviews in minutes.	Green		The SISC Council reviews the monthly and quarterly statements at its regular business meetings. Statements are incorporated into the minutes if the Council meets, or attached to the agenda if it does not meet.
The Commission shall have two or more officers. The same person shall not occupy both the chief executive office of the Commission and the office responsible for the custody of funds and maintenance of accounts and finances.	Green		The SISC Assistant Director is responsible for the custody of funds and maintenance of accounts and finances. The Commission does not have sufficient staff to ensure full segregation of duties.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
COUNCIL ROLES AND RESPONSIBILITIES			
An Executive Committee may be formed, which shall be appointed or removed by the Council, and shall have and exercise such authority of the Council in the management between meetings of the Council.	Green		The SISC Council established an Executive Committee comprised of an elected President, Vice-President, Secretary and Treasurer. No Executive Committee Members holds more than one office, consistent with its Rules and Regulations.
The Council shall meet at least once a month.		Red	The Council is currently not in compliance with the monthly meeting provision of the City Charter. Regular Council meetings are important to ensure effective oversight/control of Commission operations.
Special meetings of the Council may be called as provided in the Rules and Regulations.	Green		SISC holds monthly meetings and semi-annual meetings in July and December. SISC has not scheduled a special meeting since 1994, but adhered to rules for special meetings as required.
Any Council member, upon five days notice, may call a special meeting if 25 days have elapsed since the previous Council meeting and no future meeting is scheduled.	Green		SISC rarely holds special meetings to consider business matters, but would do so in compliance with City Charter.
All Council meetings, including Executive Committee, and other permanent and ad hoc committee meetings, shall be open to the public.	Green		All monthly and semi-annual meetings are open to the public.
The Council may hold an executive session to consider matters enumerated in RCW 42.30.010 or privileged matters recognized by law and shall enter the reason in the meeting minutes.		Yellow	If the SISC hold an Executive Session, the purpose is duly noted in the meeting minutes. However, the meeting minutes should explicitly identify the nature of business and justification for executive session.
Notice of meetings shall be given in a manner consistent with RCW 42.030.010. The Commission shall provide notice of meetings to any individual upon written request.	Green		As noted above, SISC generally complies with Charter requirements for notice of regular meetings and semi-annual meetings as requested.
At such meetings, any citizen shall have a reasonable opportunity to address the Council either orally or by written petition.	Green		The SISC Council adheres to an open forum policy at its meetings, and allows interested parties to bring relevant matters before the Council.
Voting by telephone is not permitted.	Green		The City does not permit voting by telephone, but SISC would initiate amendments if permitted to do so.
Robert's Rules of Order (revised) shall govern the Commission in all applicable cases, but not cannot be inconsistent with the Charter or with the terms set forth in the Rules and Regulations.	Green		The SISC Council has adopted the Robert's Rule of Order as its parliamentary guide per Article III, Section 7 of its Revised Rules and Regulations, but the Council Chair may vote on all matters.
Copies of regular or special meeting minutes shall be available to upon request. After each meeting, the Secretary shall mail the minutes to the Council President and executive director of each of the four member organizations.	Green		The SISC Executive Director and Assistant Director develop meeting minutes, and the Assistant Director distributes copies to the Council and executive director of each member organization.
All minutes shall include a record of individual votes on matters requiring Council concurrence.		Yellow	A record of individual votes is not consistently noted in the meeting minutes.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
COUNCIL ROLES AND RESPONSIBILITIES			
A meeting notice may be dispensed with for any Council member who files a written waiver of notice, or is present at the meeting when it is convened, or for special meetings to deal with an emergency involving injury or damage, or where time requirements make such notice impractical.	Green		The SISC Council has not been required to waive meeting notice, but would do so if needed.
Notice of meeting may not be waived for meetings concerning proposed amendments to the Charter or Rules and Regulations, and votes on such amendments.	Green		All proposed amendments to the Charter or Rules and Regulations are considered at duly convened monthly or annual business meetings.
MEETINGS OF THE CONSTITUENCY			
There shall be no constituency of the Commission.	Green		SISC does not have a constituency; instead, SISC has four member or constituency organizations.
ADMINISTRATIVE ROLES AND RESPONSIBILITIES			
<p>All funds, assets, or credit of the Commission shall be used for services, projects, and activities authorized by its Charter. No Commission earnings shall be distributable to the Council members, Commission officers or other private persons, except the Commission is authorized to:</p> <p>a) Provide reasonable compensation and reimbursement to officials and others performing services.</p> <p>b) Assist Commission officials as members of a general class to be assisted by the Council-approved project or activity to the same extent as other members of the class, as long as no special privilege is granted to official due to status or position.</p> <p>c) Defend and indemnify any Commission official (including employees), any former Commission official, and their successors, against all costs, expenses, judgments, and liabilities, including attorneys' fees, resulting from any claim or action in which he or she is or may be made a party by reason of being or having been a Commission official, provided that he or she was acting in good faith and within the scope of duties. This indemnification shall not be exclusive of other rights to which officials may be entitled as a matter of law.</p>	Green		<ul style="list-style-type: none"> ▪ SISC has not used any funds, assets, or credit for any purpose other than to support Charter authorized programs, services, and activities. ▪ SISC Council members and employees do not receive remuneration or special treatment for their services, but are insured and would be defended at SISC's expense in the event of a claim or proceeding arising out of the good faith performance of duties or employment with the Commission. ▪ SISC sold one building at fair market value, and invested the proceeds. Interest earned on the invested proceeds was used to support SISC administration, and the principal was reinvested in the development of the Leschi Center.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
ADMINISTRATIVE ROLES AND RESPONSIBILITIES			
d) Purchase insurance to protect and hold personally harmless its officials (including its employees and agents) from any action or claim arising out of the good faith performance of duties or employment with the Commission, and to hold these individuals harmless from expenses connected with the defense or settlement from such actions, claims, or proceedings.	Green		
e) Sell assets for a consideration greater than reasonable market value or acquisition costs, charge more for services than the expense incurred, or otherwise secure a gain intentionally, and such gain is applied to Commission services and activities.			
No Commission funds or assets shall be used for partisan political activity or to further the election or defeat any candidate for public office; nor shall any funds or substantial part of the Commission activities be used for publicity or other purposes designed to support or defeat pending legislation before the United States Congress, the State legislature, or City Council.	Green		SISC has not used any funds, assets or property for partisan political activity, or to support or defeat pending legislation at the local, state or national level of government.
Members and officials of the Commission may respond to requests and appear before the Congress, State legislators, or City Council for information and to address matters directly affecting the Commission.	Green		SISC is responsive to all requests from government agencies.
CHARTER RESTRICTIONS AND PROHIBITIONS			
The Commission shall have neither power of eminent domain nor any power to levy taxes or special assessments.	Green		SISC complies with this provision of the Charter.
The Commission may not incur any liability that permits recourse by any contracting party or members of the public to any assets, services, resources or credit of the City of Seattle.	Green		SISC has not incurred any liabilities involving City assets, services, resources, or credit other than issuing bonds with explicit authorization from the City.
The Commission shall not issue shares of stock, pay dividends, make private distribution of assets, make loans to its corporate officials, or engage in business for private gain.	Green		SISC has not engaged in any transactions for private gain.
REVISION OF CHARTER AND RULES AND REGULATIONS			
The Council shall adopt Rules and Regulations to govern the Council and its activities that are consistent with the Charter. The adoption of the Rules and Regulations, and any amendments, shall require a vote of the Council majority.	Green		The SISC Council adopted original and revised Rules and Regulations governing its activities, which are consistent with the Charter.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
REVISION OF CHARTER AND RULES AND REGULATIONS			
The Rules and Regulations shall address the appointment and duties of committees; regular and special meetings of the Commission; suspension or removal of Commission officials and conditions which would require such suspension or removal; and any other matters set forth in SMC 3.110.140 not inconsistent with the Charter.	Green		The SISC Rules and Regulations provide for the establishment of committees and committee duties; regular and semi-annual meetings; removal of Commission officials and conditions for such removal; and assurances that its business activities are consistent with SMC 3.110, with the exceptions noted.
Proposals to amend the Charter or Rules and Regulations shall be presented in a format which strikes over material to be deleted and underlines new material.	Green		SISC is currently considering a revision to its Rules and Regulations that has been presented in the prescribed format.
Any Council member may introduce an amendment to the Charter or to the Rules and Regulations at any regular meeting, or at any special meeting of which 30 days advance notice has been given.	Green		SISC Council members have introduced amendments to the Charter or to the Rules and Regulations at meetings with sufficient advanced notice.
If notice of a proposed amendment to the Charter or to the Rules and Regulations, along with the text of the proposed amendment and a statement of its purpose, is provided to members of the Council 15 days prior to any regular Council meeting or 30 days prior to a special meeting, the Council may vote on the proposed amendment at the same meeting at which it is introduced. If such notice and information is not provided, the Council may not vote on the amendment until the next regular meeting or special meeting. Amendments to the proposed amendment will be permitted prior to the vote.	Green		SISC provides advance notification of proposed amendments to the Charter and Rules and Regulations before Council action is taken.
Resolutions approving amendments to the Charter require an affirmative two-thirds vote of Council members voting on the issue and a majority of the Council voting membership.	Green		SISC indicated that the vote for the previous amendments to the Charter was unanimous.
After adopting a proposed amendment to the Charter, the proposed amendment shall be filed in duplicate with the City Clerk. One copy of the proposed amendment shall be filed as a public record and the other forwarded to the Mayor's designee for review and recommendation. The proposed Charter shall take effect upon the filing of the Mayor's approval with the City Clerk.	Green		SISC files copies of Revised Charter and Revised Rules and Regulations with the City Clerk and the Public Development Authority Coordinator in the Office of Finance.
ADMINISTRATIVE PROVISIONS			
The President of the Commission shall file the Council resolution approving amendments to the Rules and Regulations with the City Clerk within three days of its adoption.	Green		SISC complies with the City filing requirements within the required timeframes.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
ADMINISTRATIVE PROVISIONS			
Amendments to the Rules and Regulations shall not take effect until 10 days after filing it with the City Clerk, unless the amendment(s) passed by a unanimous vote of the Council and an earlier date is set.	Green		
The Commission shall maintain a principal office within the limits of the City. The Commission shall also file and maintain current with the a listing of all officials, their positions, and their business and home addresses, their business and home phone numbers, the address of its principal office and all other offices used by it, and a current set of its Rules and Regulations with the City Clerk.	Green		SISC maintains its office within the Seattle City limits and files a current list of all officials, their positions, business and home addresses and phone numbers; and the SISC principal office as well as its Rules and Regulations with the City Clerk.
<p>Within three months of the end of its fiscal year, the Commission shall develop and file an annual report with the Clerk, the City Council, and the Mayor's designee containing:</p> <ul style="list-style-type: none"> --certified statement of assets and liabilities, income and expenditures, and changes in its financial position during the previous year; ---summary of significant accomplishments; a list of depositories used; --projected operating budget for the current fiscal year and a separate capital budget when annual capital expenditures are expected to exceed \$100,000, --summary of projects and activities to be undertaken during the current year; and --list of corporate officials and a list of officers bonded pursuant to SMC 3.110.240(c). <p>Within six months of the end of its fiscal year, the Commission shall file an audited and Council-certified statement of assets and liabilities, income and expenditures, and changes in financial position.</p>		Yellow	<p>SISC's Annual Report and the Independent Auditor's Report provide the required operating and financial information, and are filed with the City Clerk and the PDA Coordinator in the Finance Department. The PDA Coordinator is responsible for forwarding additional copies of the reports to the City Council and the Mayor's designee.</p> <p>SISC does not have a capital budget, which makes it difficult to track capital revenues and expenditures. For example, SISC received \$550,383 in Federal Emergency Management Agency (FEMA) grants from the State of Washington for damages to the Pearl Warren Building sustained during the Nisqually Earthquake. These funds do not appear in the operation budget, but are recorded in the independent financial statements as grant income.</p> <p>SISC is responsible for accountable financial operations. A capital budget would ensure that the Council regularly reviewed and approved the use of the substantial FEMA awards, and would provide a record of Council approval.</p>
The public shall have access to records and information of the Commission to the extent required by state law and City ordinance.	Green		SISC provides access to records and information requested by the public in accordance with state law and City ordinances.
The Commission may conduct activities outside the City of Seattle upon a determination by the Council that each such activity will further the purposes of the Commission but only in those areas of another jurisdiction whose governing body by agreement with the City's consent.	Green		SISC is located and conducts business exclusively within the City of Seattle.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
ADMINISTRATIVE PROVISIONS			
At least semi-annually, with reasonable notice to the public, a meeting shall be held, which shall include a review of all significant decisions and events that have occurred since the last public meeting and a preview of significant matters that will be considered in the following six months.		Red	SISC schedules semiannual public meetings to review all significant decisions and events for the preceding six months. However, some semiannual meetings are not held as scheduled due to the absence of a quorum, and notices of meetings were not sent to the general public, including notice for recent meeting held at an alternate location. SISC will send electronic copies of such meeting notices to the media to inform the public in the future.
The Treasurer of the Commission and any other officials responsible for accounts and finances shall file and hold an appropriate amount of fidelity bonds for duration of position. The Commission shall notify the Mayor in its annual report the names of such officials and the amounts of the bonds prescribed for them and confirm that such bonds are currently in effect.	Green		SISC maintains an insurance policy, in lieu of fidelity bonds with liability coverage for all Council members and employees, which also includes protection against loss from theft.
Commission funds shall be deposited in a depository acceptable to the Mayor and safeguarded pursuant to Mayor's instructions.	Green		SISC deposits its funds in two banks that were identified on a City list of acceptable financial institutions-U.S. Bank and Bank of America.
The Commission shall maintain in full force and effect public liability insurance in an amount specified by the Mayor to cover potential claims for bodily injury, death or disability, and property damage that may arise from the activities of the Commission and name the City as an additional insured.	Green		SISC maintains appropriate liability coverage to cover potential claims for bodily injury, death or disability, and for property damage, and names the City as an additional insured. The SISC policy is filed with the City's Risk Manager.
No current corporate official or employee shall engage in conduct prohibited under SMC 3.110.580.		Yellow	Questions have been raised regarding the actions of SISC Council appointees who were related to the Executive Director of one constituent/tenant agency. The SISC Council approved summer contracts with the Executive Director's son to operate the summer Options Program for the past six years, although the familial relationship was appropriately disclosed.
City funds provided after January 1, 1985, and used by the Commission shall be subject to the requirements of SMC 20.46 (Women's and Minority Business Utilization).	Green		SISC currently does not receive City funding but has complied with relevant City requirements in the past.
COOPERATION (BOND GUARANTY) AGREEMENT			
The Commission will not use Bond proceeds the Bonds in a manner that would cause them to be treated as a "private activity bond," other than a qualified 501(c)(3) bond subject to requirements of the IRS Code Section 141(b), unless the tax exemption is not adversely affected.	Green		SISC has utilized all proceeds for public facilities that support the programs and activities identified in the Charter.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
COOPERATION (BOND GUARANTY) AGREEMENT			
Revenue Fund means the special fund established pursuant to this Agreement and the Bond Resolution. The Commission shall establish a Series 2002 Revenue Fund and a Series 2004 Revenue Fund for as long as the notes are outstanding. Revenues shall be deposited into the Revenue Funds as collected, and shall be held separate and apart from all other funds and accounts.		Yellow	SISC has established designated Revenue Funds for both the Series 2002 and Series 2004 bonds, and revenues are deposited as collected. SISC plans to rename the Revenue Funds to be consistent with the terms identified in the Cooperation Agreement.
The moneys in the Revenue Fund shall be used only for the following purposes in the following order of priority: 1) Pay the rebate amount. 2) Pay Operation and Maintenance Expenses. 3) Make payments into the Debt Service Account to pay the interest on the bonds. 4) Make payments into the Debt Service Account to pay the principal of the bonds. 5) Make payments into the Debt Service Reserve Account. 6) Make payments to reimburse the City with interest for payments of the principal of and interest on the Bonds made under the City's payment obligations set forth in this Agreement. 7) Make payments into the Capital Reserve Fund. 8) Make payments into the Operations and Maintenance Reserve Account. 9) Retire Outstanding Bonds by redemption or purchase, or to make necessary additions, improvements, extraordinary repairs, extensions and replacements of facilities, or for other lawful Commission purposes.	Green		SISC has used the revenue generated from the lease of the bond-funded Leschi Center and Pearl Warren Building for authorized purposes only.
Debt Service Account means the special account of the Commission established pursuant to this Agreement and the Bond Resolution. The Debt Service Payment Date means the dates on which the principal of and interest on the bonds is due and payable as provided in the Bond Resolution.	Green		SISC has established a Debt Service Account for both the Series 2002 and 2004 Special Obligation Bonds, and makes the principal and interest payments on both the Series 2002 and 2004 Special Obligation Bonds on the established date, consistent with the Cooperation Agreement.
Note: The Cooperation Agreements identify the terms and conditions established for the City's unconditional payment obligation with respect to the Special Obligation Bonds, Series 2002 and Series 2004. Because the agreements contain identical or similar provisions pertaining to both series, the requirements are only identified once but compliance was assessed for both agreements.			

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
COOPERATION (BOND GUARANTY) AGREEMENT			
Debt Service Reserve Account means the special account of the Commission established pursuant to this Agreement and the Bond Resolution. Debt Service Reserve Requirement means one-half the maximum aggregate annual amount of principal of and interest on the bonds.	Green		SISC has established a Debt Service Reserve Account for both the Series 2002 and 2004 Special Obligation Bonds, and adheres to the Debt Service Reserve Requirement for both the Series 2002 and 2004 Special Obligation Bonds, consistent with the Cooperation Agreement.
Within the Bond Fund, the Commission shall establish the Debt Service Account and the Debt Service Reserve Account. The Commission shall deposit into the Debt Service Account, on or before the first business day of each month, sufficient funds to pay an appropriate proportion of the principal and interest due on the next Debt Service Payment Date. If the interest is the Bonds is payable semiannual and the principal is payable annually, the Commission shall deposit into the Debt Service Account revenue necessary to pay one-sixth of the interest on and one-twelfth of the principal of the bonds due and payable on the next Debt Service Payment Date.	Green		SISC has established both a Debt Service Accounts and Debt Services Reserve Accounts for both the Series 2002 and 2004 Special Obligation Bonds. SISC deposits sufficient funds to make the principal and interest payment to the Debt Service Accounts for both the Series 2002 and 2004 Special Obligation Bonds, consistent with the Cooperation Agreement.
The Commission shall deposit into the Debt Service Account, on or before the first business day of each month, an amount equal to twice the Debt Service Reserve Requirement following the completion of the project.	Green		SISC deposits sufficient funds on or before the first business day of each month an amount equal to twice the Debt Service Reserve Requirement.
If prior to a Debt Service Payment Date, the amount on hand in the Debt Service Account is inadequate to make the scheduled payments on the principal of and interest on the Bonds, the Commission shall immediately notify the City and the Committee, and the City shall pay the amount necessary to make up the deficiency no later than the scheduled Debt Service Payment Date. Notification to the City shall be made 30 days prior to the scheduled date.	Green		SISC has made all Debt Service Payments on time as required by the Cooperation Agreement.
In the event that the amount of funds in the Debt Service Reserve Account falls below the Debt Service Reserve Requirement, the City shall, 30 days prior to the next Debt Service Payment Date, deposit into the Debt Service Reserve Account an amount necessary to restore the amount of funds in the Debt Service Reserve Account. After consulting with the Commission, the City may unilaterally impose a corrective action plan upon the Commission.	Green		SISC has retained the full amount of funds in both Debt Service Reserve Account accounts to comply with the Debt Service Reserve Requirement, so the City has not been required to restore funds.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
COOPERATION (BOND GUARANTY) AGREEMENT			
Reimbursement of Debt Service Reserve Fund. The Commission shall have 15 days to full reimburse the Debt Service Reserve Account to the amount required. In the event the Debt Service Reserve Account is not reimbursed within 15 days, the Commission shall propose, and the City may unilaterally impose, a correction action plan to reimburse the account.	Green		SISC has not drawn upon the principal and interest amount that is on deposit with the trustees for the Debt Service Reserve Funds established for both the Series 2002 and 2004 Special Obligation Bonds.
Any amount expended by the City shall be deemed a loan to the Commission, which shall be repaid from Project Revenues and other available funds with interest payable at an annual rate equal to the City's cost at the time of such expenditures or the annualized earnings rate of the City's general fund, whichever is greater.	Green		SISC has made all Debt Service Payments as required by the Cooperation Agreement.
Capital Reserve Fund means the special fund of the Commission established pursuant to this Agreement and the Bond Resolution. Capital Reserve Amount means the amount budgeted in each fiscal year to provide for the replacement of capital facilities at the Project.	Green		SISC determines the amount required to replace or repair deteriorating building systems and establishes an annual budget for both the Leschi Center and Pearl Warren Building.
The Commission shall establish a Capital Reserve Fund, and upon completion of the project shall deposit into the account on or before the first business day of each month an amount equal to one-twelfth of the Capital Reserve Amount for that fiscal year.		Yellow	SISC has not established a Capital Reserve Fund, but has established a series of accounts in the budget for the replacement of systems in the Leschi Center and Pearl Warren Buildings.
After the Project is completed, and in its annual report, the Commission shall present a proposed budget for the Capital Reserve Fund and the amount to be deposited based on the life cycle cost analysis for the major building systems.		Yellow	SISC determines the annual amount required to repair and replace deteriorating building systems, but does not have a long-term repair and replacement schedule or capital budget based on the expected life its facilities based on life cycle cost analysis.
Operation and Maintenance Reserve Fund means the special fund established pursuant to this Agreement and the Bond Resolution. Operation and Maintenance Expense means all necessary expenses incurred by the Commission to operate and maintain the public facility in good repair, working order and condition, and shall include all necessary operating expenses, maintenance and repair expenses, and a properly allocated share of insurance and all other expenses for facility operations, including pro rata charges of the Commission's administration expenses. Depreciation, transfer of moneys to other funds, expenses subject to tenant reimbursement and payments into the Bond Fund shall be excluded.	Green		SISC has not established an Operation and Maintenance Reserve Fund, but has established a line-item budget and accounts for all operating and maintenance expenses. However, SISC maintains the Leschi Center and Pearl Warren Building in good repair and develops an annual square foot allocation for all operating and maintenance expenses that are charged to the two member organization that are tenants—the Seattle Indian Center and the Seattle Indian Health Board.

ACTIVITIES/REQUIREMENTS	IN COMPLIANCE		COMMENTS
	YES	NO	
COOPERATION (BOND GUARANTY) AGREEMENT			
The Commission shall establish a special Operation and Maintenance Reserve Fund, and deposit an amount not exceeding \$100,000 in the Fund upon completion of the Project. The funds may only be spent for items properly charged to a capital account. Each fiscal year, an amount equal to the expenses budgeted by the Commission in the current Fiscal Year less the amount of expenses shall also be deposited into the Reserve Account on the first business day of each month.		Yellow	SISC did not make an initial deposit of \$100,000 at Project Completion due to lack of funds. SISC has established an annual budget with operation and maintenance accounts for both the Leschi Center and Pearl Warren Building. The budgeted amount is based on the estimated expenses for operating and maintaining each facility.
The Commission shall draw on the Operations and Maintenance Reserve Fund to pay direct expenses, to pay the Rebate Amount and to pay the debt service on the Bonds.	Green		SISC only draws on the Operations and Maintenance Reserve Fund for allowable expenses and payments.
OTHER ADMINISTRATIVE REQUIREMENTS			
SISC shall maintain current and complete books and records of account and shall keep minutes of the proceedings of the Council and Council committees.	Green		SISC maintains complete books and records of its accounts (e.g., maintains a chart of accounts) and minutes of Council proceedings. The meeting minutes do not explicitly describe the business addressed and individual action taken, particularly on matters requiring Council concurrence.
All books and records may be inspected by any officer or trustee of any of the appointing organizations or his agent or attorney for any proper purpose at any reasonable time.	Green		SISC cooperates with requests to review its books and records. However, SISC does not have an adequate internal control system, including detailed financial policies and procedures, and adequate oversight of its business operations. The Washington State Auditor's Office identified several internal control weaknesses in multiple audits, indicating that City assistance may be required to ensure that the Commission fully complies with City and State legal requirements.
The Commission may elect to defend and indemnify its present and former officials and their successors to the full extent authorized by the Charter. The right of indemnification shall inure each Council member or officer upon his/her appointment and extend to heirs, legal representatives and estate. The rights of indemnification shall not be exclusive of any other rights of Council members or officers.	Green		SISC Council Members and their heirs and estates are appropriately indemnified through an insurance policy. The SISC insurance policy does not interfere with the other rights of Council Members.
The Charter requires SISC appointments to be submitted to the City Council for confirmation. SISC is required to submit the following five documents to the City Clerk: 1. SISC Appointment Cover Memo 2. Council Memo of Appointment 3. Notice of Appointment 4. SISC Roster 5. Appointee Resume or Written Biography	Green		SISC submits all appointments and required document to the City Council and/or City Clerk, and attends confirmation hearings as requested.

APPENDIX 2

SEATTLE INDIAN SERVICE COMMISSION STATEMENT OF PURPOSE

The following statement of purpose was extracted from Article IV of the Seattle Indian Services Commission Charter.

“Recognizing that, in addition to social, cultural, health, educational and economic problems that are shared by all ethnic minorities in urban areas, American Indians (many of whom have reservation backgrounds) have unique social, cultural, health, educational and economic needs that require unique approaches, the purpose of the Seattle Indian Services Commission shall be to provide effective, comprehensive and coordinated planning services, activities and programs that are consistent with or related to the Seattle Model Cities Program and that will meet the unique needs of many Indian residents of Seattle who are scattered throughout the City. . . . In administering funds and contracting and exercising its powers in programs, the Seattle Indian Services Commission shall specifically include within its purpose the carrying out of programs to expand housing, job and income opportunities; the reduction of dependence upon welfare payments; the improvement of educational facilities and programs; the combat of disease and ill health; the reduction of the incidents of crime and delinquency; the enhancement of recreational and cultural opportunities; and the general improvement in the living conditions of all the people who live within Seattle and the accomplishment of these objectives through the most effective and economical concentration and coordination of federal, state and local public and private efforts.”

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APPENDIX 3

CITY OF SEATTLE REPORTING REQUIREMENTS FOR PUBLIC DEVELOPMENT AUTHORITIES

The following list identifies select reporting and filing requirements for the eight PDAs required by the Seattle Municipal Code, and underscores the City's oversight responsibilities for PDAs.

Annual Reporting Requirements

Annual Report for Operations. All PDA's must file with the City Clerk an annual report that includes narrative descriptions of activities undertaken, and activities planned for the next year, along with the projected operating and capital budgets. If applicable, PDA Council resolution(s), and a statement of income and expenditures must also be filed with the City Clerk.

Statements of Economic Interest. Statements of Economic Interest are to be filed with the PDA Coordinator and the City Clerk within two weeks of the time a person selected for appointment begins serving on a PDA Council, or within two weeks of the date of hire for all PDA executive, professional, and administrative staff. By April 15 each year, PDA and City Clerk files must both contain current Statements of Economic Interest for all PDA Council members and all executive, professional, and administrative staff.

Audited Financial Statements. The PDA must submit audited financial statements to the City Clerk annually.

General Reporting Requirements

Any changes made to a PDA's rules and regulations must be filed with the City Clerk 10 days before they take effect, unless passed by unanimous vote of the PDA Council and the Constituency, if one exists, and an earlier effective date is set. Any changes not already filed with the City Clerk must accompany the PDA's annual report.

All PDA's must annually submit to the City Clerk a statement that they comply with the requirements of SMC 3.110.260.

All PDA appointments must be confirmed by the City Council.

- For every vacancy caused by the expiration of a Council member's term, the appointment is to be submitted to the City Council 60 days before the term expires.
- For vacancy of PDA Council and Constituency (elected) appointments caused by the expiration of a Council member's term: "appointment...shall be submitted to the City Council promptly after the election...occurs.

PDAs are required to inform both the Mayor and the City Council of all PDA Council and Constituency meetings. Informational copies of meeting notices and meeting minutes must be submitted to the PDA Coordinator in the before the meeting.

APPENDIX 3 (Continued)

**CITY OF SEATTLE REPORTING REQUIREMENTS
FOR PUBLIC DEVELOPMENT AUTHORITIES**

SMC 3.110.390 requires PDA's to post a liability statement in a location conspicuous to the public at their principal office and for this same liability statement to appear on all contracts, bonds, and other documents that may entail debt or liability by PDA's (see SMC Requirements for an explanation and the wording of the statement).

See SMC Requirements 3.110.400 and list attached.

PDAs must file proposed amendments in duplicate with the City Clerk and an informational copy to the PDA Coordinator.

PDAs must have public liability insurance in an amount acceptable to the Mayor. PDAs must submit with their annual report a certificate of insurance naming the City as an additional insured with a copy of the Certificate of Insurance forwarded to: Risk Manager, Department of Finance, 1st Floor Municipal Building, Seattle, Washington 98104. Any additional specific information requested by the Risk Manager should be forwarded as well.

APPENDIX 4

**SEATTLE INDIAN SERVICES COMMISSION
EXECUTIVE RESPONSE**



Seattle Indian Services Commission
606 12th Avenue South
Seattle, WA 98144
(206) 329-6594 siservicescommis@uswest.net

February 20, 2008

Susan Cohen
Office of the City Auditor
City of Seattle
Seattle, WA 98124

Dear Ms Cohen:

Thank you for the opportunity to review and comment on your audit of our Commission. While pleased with a 90% compliance rating, we are anxious to implement your recommendations and move forward towards a 100% rating. We thank your office for their efforts and their recommendations.

Here are our comments on the findings made by your office –

FINDING 2: The Seattle Indian Services Commission Must Achieve Fuller Compliance with the City Code Provisions for Public Corporations and City Charter to Ensure Accountability in its Governance and Business Operations.

The Commission concurs that regularly scheduled meetings of the Council were not held due to the absence of a quorum.

The Commission does not believe that the failure of the constituent organizations to appoint alternates had any impact at all on any aspect of the operation of the Commission. Alternates do not count towards a quorum so the presence of alternates would have had no impact on the ability of the Commission to hold a meeting due to lack of a quorum. Alternates cannot make motions or second motions. Alternates cannot vote unless they are directed in writing to do so by the regular representative they are alternate for and then only on items specifically identified in the agenda. The Commission will be asking to amend its charter. One of those amendments will be to eliminate the position of Alternate. Two other changes will be proposed in an attempt to remedy the problem of not having a quorum. The first is to establish that a quorum will consist of a majority of the Council positions that are filled. Currently a quorum is 5 (a majority of all positions, filled or not) had this been the case the Commission would have had a quorum for many of the meetings that were missed since a vacant seat on the Commission would reduce the quorum from five to four. The second is to allow participation via phone or computer conferencing. These two changes would have allowed the Commission to hold most, if

not all, of the meetings that were cancelled due to lack of a quorum. The Commission is currently working with the PDA Coordinator to begin to create the changes necessary to accomplish this.

FINDING 3: The Seattle Indian Services Commission's Contracting Practices Were Inconsistent with Washington State Law and Its City Charter.

The Commission has no comment on Finding 3 except to say they were dealt with when the original State Audit finding was made in 2003.

FINDING 4: Some Seattle Indian Services Commission's Contracting Practices and Council Appointments May Not Comply with City Code Provisions for Public Corporations.

The Commission believes the City Auditor is mistaken and the Commission believes it is in compliance. The Commission believes that the Seattle Municipal Code is quite clear on this issue.

FINDING 5: Despite Its Excellent Bond Payment History, the Seattle Indian Services Commission's Compliance with the City Cooperation Agreements Guaranteeing the Special Obligation Refunding Bonds Could Be Improved.

The Commission acknowledges that there is room for improvement and will seek to make those improvements.

FINDING 6: Improved City Oversight Is Needed to Ensure the Seattle Indian Services Commission Fully Complies With State and City Legal Requirements.

The Commission supports this finding. However care must be used in implementing the recommendation. – *“The Mayor and City Council should develop a plan that provides targeted oversight and assistance to the Seattle Indian Services Commission and other City-chartered public corporations that have long-standing governance or operational issues.”* Or the underlying reasons for creating PDA's – to do those things the City can't do or doesn't want to do – will surely be affected. The Commission also believes that it does not have, *“long-standing governance or operational issues.”* Every time an issue is identified the Commission has sought to swiftly take corrective action.

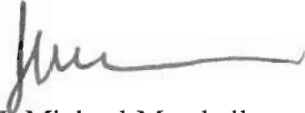
Comments on the need for a full time PDA Coordinator and the how that position could be helpful –

The Commission believes that a full time PDA Coordinator could be helpful, but the Commission would like to point out that many of the conditions and issues cited in the report from the Office of the City Auditor occurred while there was a full time PDA Coordinator. In some cases the PDA Coordinator was consulted, but was not able to make a recommendation on the issues. There were even occasions when the PDA Coordinator's advice led to some of the problems discussed in the Report.

The truth is that a full time PDA Coordinator might be helpful, but full time or part time they would not be able to address many of the underlying issues that affect the SISC. We believe the current PDA coordinator has been extremely helpful both in identifying potential problems and in offering advice and corrective measures.

We will take and implement those recommendations that have been made and continue to seek ways to improve the performance and responsibility of the SISC. We could use some assistance – a full time PDA Coordinator maybe part of the answer.

Thank you,

A handwritten signature in black ink, appearing to read 'J. Marshall', with a long horizontal flourish extending to the right.

J. Michael Marshall
Executive Director
Seattle Indian Services Commission

APPENDIX 5

DEPARTMENT OF FINANCE EXECUTIVE RESPONSE

City of Seattle
Department of Finance

Dwight Dively, Director, Department of Finance
Gregory J. Nickels, Mayor



February 14, 2008

Susan Cohen
Office of City Auditor
City of Seattle
Seattle, WA 98124-4729

Dear Ms. Cohen:

Thank you for allowing us the opportunity to review and comment on your Seattle Indian Services Commission (SISC) Audit Report. We are very pleased that overall, SISC performed very well in this audit with a 90% full compliance rate. We believe this is a noteworthy accomplishment that should be emphasized to SISC, the Mayor and City Council.

We reviewed carefully the two items where SISC was noted to be out of compliance on, and would like to comment on how they are being addressed:

- The SISC Council shall meet at least once a month – *We have been actively working with the PDA to improve their council meeting attendance. The PDA is considering proposed charter amendments to change their quorum requirements, and to periodically allow PDA Council members to participate in council meetings via telephone (subject to Washington State's Open Public Meetings Act). We will monitor this situation closely to ensure continued progress.*
- SISC shall hold semi-annual public meetings, and shall provide reasonable notice to the public regarding these upcoming meetings, including any changes to location or time – *As indicated in your report, SISC acknowledges the requirement to convene semi-annual meetings, and will send electronic copies of such meeting notices to the media and to the public in the future.*

We appreciate your suggestions on how we can improve our services to PDAs, and will be following up on the other partial compliance issues that have not already been resolved by SISC.

Thank you for the opportunity to review your report.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dwight D. Dively", written over a circular stamp or mark.

Dwight D. Dively
Finance Director

cc: Nathan Torgelson, Jen Chan - DOF