



SWNI PRELIMINARY RESPONSE TO PORTLAND OFFICE OF COMMUNITY AND
CIVIC LIFE FORENSIC AUDIT

11/22/20

SWNI has served the residents of SW Portland for over forty years by providing neighborhood associations and community advocates support in communicating with city government on issues related to livability, including transportation, land use, and safety. SWNI also organizes neighborhood work parties and clean-ups as well as community-wide events like National Night Out. In addition, SWNI formed an Equity & Inclusion Committee five years ago to support greater outreach to under-represented communities to encourage greater neighborhood involvement.

Commissioner Chole Eudaly and the Director of the Office of Community and Civic Life, Suk Rhee, just released a forensic audit of SWNI that bends facts, omits vital information, and lacks a coherent narrative to support its claims of SWNI's mismanagement of funds and lack of program oversight.

Unfortunately, **SWNI was not offered an opportunity to respond to the audit before its public release.** Here are some facts:

1. Much of the audit is dedicated to the criminal embezzlement conducted by a former employee that took place over ten years ago. This individual was arrested, pleaded guilty to eleven counts of theft by deception, and was incarcerated for her crimes. The Multnomah County District Attorney's Office investigated and determined there were no other individuals responsible for the criminal misconduct. This story was covered extensively in the local media. We do not know why the audit scope was amended to include this timeframe.
2. Following the embezzlement, the SWNI Board worked for a year to develop a new system of fiscal controls and policies to ensure its financial management system was secure. These fiscal oversight policies were implemented beginning in October 2010. The former Office of Neighborhood Involvement (ONI), now Civic Life, reviewed these policies and fiscal controls as a part of its on-going contracting process with SWNI.
3. During the past decade, SWNI has submitted regular financial and program reports to its ONI/Civic Life contract managers. None have called out any fiscal irregularities or registered any findings of misconduct regarding SWNI's fiscal management practices during that time.
4. SWNI finds the forensic audit report lacks objective detail of what conditions constitute weaknesses and what transactions and activities give rise to possible financial mismanagement. The subjective nature of the report shows Marsh & Minick did not perform a truth finding examination and based its opinion on

unjustified and unsupported accusations of certain parties who were interviewed and omitted information supplied by others who were interviewed. The forensic audit did not indicate any issues of fraud or malfeasance since the 2010 fraud, a situation that is well known and documented. SWNI's strong internal control policies and procedures, implemented shortly after the 2010 embezzlement, appear to be working properly. The audit report's claim of financial mismanagement obfuscates timelines without acknowledging SWNI's adoption of strong financial controls following the discovery of the theft and shows a lack of understanding of SWNI's financial management system.

5. SWNI respectfully asks the city to hire an independent CPA to perform a financial statement audit for fiscal years 2019 and 2020 to provide an objective opinion of SWNI's control environment and SWNI's financial condition. Or in the alternative, asks you to consider that the city give SWNI a fiscal compliance review handled by the auditor's office.
6. SWNI emphatically disagrees with the audit's finding that SWNI's Executive Director, Sylvia Bogert, contributed to the embezzlement actions of the adjudicated employee by not communicating with the Board of Directors about credit card expenses she paid in 2005. Ms. Bogert alerted the Board of Directors to the credit card issue following the discovery of theft in October 2010. At the time Ms. Bogert believed the former employee's explanation that the credit card balance was legitimate and took personal responsibility for not being aware the debt had not been paid off. The SWNI Board accepted her explanation and focused on tightening its financial management system. SWNI and the Multnomah County District Attorney's office investigated the fraud in 2010-2011 and did not find evidence of additional wrongdoing. SWNI shared this information with the forensic auditor in October 2020 and Marsh & Minick omitted this important information in the audit report.
7. In 2012, following the embezzlement experience, ONI partnered with SWNI in conducting training with other District Coalition offices about its experience with financial management and the need for stricter controls.
8. SWNI's application and approval for the federal SBA Paycheck Protection Program (PPP) has been mischaracterized in the audit report. SWNI was eligible for the program as a nonprofit organization and applied to Umpqua Bank for a PPP loan. SWNI's application was approved by the Small Business Administration and PPP funds covered rent expenses in May – August 2020 as well as payroll and utility expenses in July - August 2020. SWNI has completed an application for PPP loan forgiveness and submitted it to Umpqua Bank. SWNI is now awaiting word on when the Small Business Administration will begin to approve PPP loan forgiveness applications.
9. SWNI is dedicated to equity and inclusion in SW Portland. Beyond creating an Equity & Inclusion Committee, SWNI conducted six Oregon Humanities

Community Conversations on diversity topics in 2019-2020. In July 2019, SWNI partnered with the Bureau of Planning and Sustainability to host a community screening and discussion forum on the film "Priced Out," which highlights gentrification issues in Portland.

The firm that Civic Life contracted to perform the forensic audit, Marsh & Minick, did not seem objective in its findings. The forensic audit firm did not seem to understand how nonprofits operate. The forensic audit report obfuscates timelines and seems to lack an understanding of SWNI's financial management system. We request an opportunity to respond to the audit and elaborate on the points discussed above.

Sincerely,

Leslie Hammond, President
Steve Mullinax, First Vice President
Sam Parson, Second Vice President
Janet Hawkins, Secretary
Teddy Okonokhua, Treasurer
Sylvia Bogert, Executive Director