



FORENSIC ACCOUNTING CONSULTING

LINDA L. SAUNDERS, CPA/CFF, CFE, CGFM

April 11, 2013

Senate Majority Coalition Caucus
Attn: Senator Ann Rivers
VIA E-mail

RE: Evaluate CRC Report #5 by Acuity Group, PLLC

Dear Senator Ann Rivers, et. al.:

As requested, I was asked to conduct an independent evaluation of Acuity Group's Report #5 of the Columbia River Crossing (CRC) project, authored by Ms. Tiffany Couch, CPA/CFF, CFE. Ms. Couch's Report #5 is Acuity Group's most recent CRC report dated March 1, 2013, which Ms. Couch entitled, "Sub Contractor Analysis." The purpose of my special examination was to analyze this report, the four exhibits included with the report, and the documents provided to me via a Zip file. It is my understanding that these documents were used by Ms. Couch as the basis for her Report #5 results.

The scope of my examination was to review the above report and supporting documentation in order to offer a written assessment by April 10, 2013, of the validity and the merits of Acuity Group's complaints alleging questionable practices of several CRC subcontractors. This above scope has been limited by the amount of work that can be completed regarding Report #5, within an agreed-upon budget. While I was sent Tiffany Couch's first four reports on CRC and spent many hours reviewing them prior to this engagement, I will not make any assessments of those reports within the scope limits of this engagement.

I was not engaged for any CPA attest work under the AICPA rules for this engagement, and I will, therefore, not be issuing opinions as defined by the AICPA standards. This is strictly a "special procedures" engagement where I will report directly to the Senate Majority Coalition Caucus group via this report.

Linda Saunders' Professional Credentials as Forensic Expert

I earned my CPA certificate in Washington State in 1986 while I was an auditor for the WA State Auditor's office, earned my Masters' Degree in Public Administration in 1993, and received my CFE (Certified Fraud Examiner) credential in 1994. Additionally, I am a Certified Government Financial Manager (CGFM), based on over ten years of working in financial management and auditing positions for both federal and state level organizations. See my Specialized Background for Fraud Expert and my CV per Exhibit 1.

During the years 1984 through 1987 I conducted performance audits for both the federal Department of Transportation Inspector General's office (DOT OIG) and the Washington State Department of Transportation (WSDOT). As a supervisory external auditor with WSDOT, I concentrated on auditing overhead rates for WSDOT architectural and engineering contracts for the I-90 contracts across Mercer Island. This was a time when WSDOT was taking advantage of the 90% federal funding promulgated during the Eisenhower Administration to build interstate highways. That construction project included the I-90 fixed bridge span between Bellevue and Mercer Island, the lidding projects through the Island, the new floating bridge from the west side of Mercer Island, and the construction of a soft-dug tunnel into Seattle.

Since 1994, I have specialized in forensic accounting and fraud investigations through my professional practice, *Forensic Accounting Consulting*. I am providing this information based on my nineteen years' experience of working as a forensic accountant and an independent expert witness. I used my specialized analytical skills, as well as my experience from conducting audits of other highway projects, to form my conclusions and opinions for this examination.

Executive Summary of My Findings

Acuity Group's Report #5 entitled "Sub Contractor Analysis" was a result of Acuity's analyses of primarily three of CRC project subcontractors working under contracts with David Evans & Associates. Acuity's owner, Tiffany Couch, CPA/CFF, CFE, concluded that the project office subcontractors had "questionable practices" as it related to several state and local public agencies, as well as in terms of the IRS definitions of "independent contractor." My tasks were to determine whether Acuity Group's assessment and conclusions were, first of all, competent. I was also asked to determine whether their investigations were unbiased. Tiffany Couch, CPA/CFF, CFE, is certainly competent, although not totally independent, since she was originally hired by an opponent of some of the aspects of the CRC project.

I am also offering my conclusions and opinions of whether further work needs to be undertaken to examine the CRC project. In a word, definitely YES. Ms. Couch did not have any indication in her documentation of whether WSDOT or the federal auditors have conducted compliance audits yet, but before Washington and Oregon move forward in approving further funding of these projects, there must be in-depth financial investigations undertaken to determine why costs have escalated to the extent they have for this CRC project. Moving former employees into "independent contractor" categories, as detailed in Report #5, are just a few of the areas that are warranted for examination.

Details of My Findings

In the essence of time, I am not including many exhibits with this report. To document the sources of my information, I have sequentially numbered (called "Bates numbering" in attorney vernacular) all documents I have in my possession. I will include reference numbers of the particular pages of information I have used as I articulate my findings. If any of these documents are needed, I can make those pages available to you. I sequentially Bates numbered approximately 35,000 documents obtained through this Coalition Caucus from Ms. Couch. Additionally, I sequentially numbered approximately 600 documents from my own online research of this project. All documents have been scanned, so please advise me if you would like these sent to you.

Tiffany Couch, CPA/CFF, CFE Credentials

As to Tiffany Couch's competency, her credentials are excellent. Ms. Couch is the owner of her firm, Acuity Group PLLC. Prior to starting her company, she became a Washington state CPA in November 29, 2000 (FAC0594) and she is Certified in Financial Forensics by the AICPA. Ms. Couch has also been licensed by the California State Board of Accountancy since 2002 as an out-of-state CPA (FAC0595). She has additional accounting credentials including the CFF (Certified in Financial Forensics) credential given by the American Institute of CPAs. She is a certified Fraud Examiner. This is a specialty credential awarded to forensic accountants and fraud investigators. This credential requires testing, work experience, and continuing professional education requirements each year.

Ms. Couch has been specializing in forensic accounting with her company, Acuity Group, PLLC, since at least 2008. Her firm was incorporated in Washington State on June 30, 2008, per the WA Secretary of State filings (FAC0421). Ms. Couch's Curriculum Vitae per Exhibit 2 (FAC0415-420) provides details of her last fifteen years of experience in the field of accounting.

I have personally sat on a professional accounting committee with Ms. Couch, and we have co-presented training seminars for both the WA State Society of Certified Public Accountants and the Association of Certified Fraud Examiners. Both her peers and I can vouch for her competency in accounting and investigative techniques, since we've attended many of her accounting presentations over the years where she has used some of her case study details in her course content. Details of these presentations are reflected in her CV (FAC0419-420) and produced as Exhibit 2.

Independence and/or Bias

It is my understanding that Ms. Couch was hired by a private Washington state party with a political bias that the Oregon Light Rail company, C-Trans, is foisting tolls on Washington citizens to bail out C-Trans through the CRC Project. Because of the nature of her engagement with this citizen to investigate the CRC Project, her examination was not totally independent, since she was paid by this private party. She is also a stakeholder in the CRC project since she physically lives and works in Vancouver, WA, adjacent to the I-5 corridor. She has expressed her concerns about "questionable contracting practices" and contract overruns in blogs she has posted online.

Having addressed these biases and her lack of independence because of how she was hired, I did find that her twelve-page Report #5 narrative was articulate in detail and well documented. I was sent over 35,000 pages of scanned documents that Acuity has amassed. Most of the documents are billing, time records, and correspondence from the project management contractor, David Evans & Associates. In addition to the above documents, Acuity included four exhibits with Report #5, which contained approximately 45 pages of examples pulled from those documents to further document and describe her findings. Although she lacked total independence, her work was competently and thoroughly presented.

I Agree With Acuity Group's Findings

Acuity Group stated in their Report #5:

"It is our opinion that there is sufficient evidence to open inquiries with local, state and federal agencies regarding the questionable practices of several CRC subcontractors. We believe the agencies that may be of interest in this matter minimally include: Internal Revenue Service, WA State Department of Revenue, WA State Department of Labor and Industries, WA State Employment Security Department, WA State Board of Accountancy, OR State Board of Accountancy, and City of Vancouver Business Licensing." (TC0331)

Overall, Acuity Group stated that it was their opinion that there is sufficient evidence to open inquiries with local, state and federal agencies regarding the questionable practices of several CRC subcontractors, with which I concur. I also totally agree with her assessment of the contractor versus employee questions. Her report findings concerning the workers' status were on-point. They are not restated here, as she addressed them adequately in her report #5.

I agree that ultimately the above agencies may need to know of this information if it is determined workers were incorrectly classified. As a former IRS auditor, I have re-categorized workers who were classified as independent contractors, but should have been employees. The tax consequences were significant. I have also worked cases with the WA Attorney General's Office for Labor and Industry claims for workers claiming to be independent contractors versus employees. These are real issues that need to be resolved.

From DOT's standpoint, the questions of independent contractor versus employee will need to be answered internally because of the cost implications for the Project. If it is determined that the CRC Project did not properly classify these "subcontractors," reclassification and possible questioned costs may need to be recovered. As a former WSDOT and DOT OIG auditor, this was not an aspect that was generally considered during the audit phase. However, given her findings, all of the CRC Project contracts will require examination for this matter as a special part of an audit. From review of the invoice and billing information gathered by Ms. Couch, enough questions were raised that a full accounting of expenditures requires examination for compliance with the CRC Project contracts, and it is my opinion that such an exam should be conducted.

CRC Studies Conducted Already

During my online research, I found many "groups" and studies who want the CRC Project to be "transparent." In particular, I found detailed evidence of the formation of the "Independent Expert Review Panel" (IRP) that was formed by Oregon's and Washington's Governors in 2010 under CRC IRP Agreement Y10887 for \$114,000. (FAC0409) This Panel's purpose was to assure that "appropriate finance plans and project implementation plan assumptions have been made." (FAC0457). In the meeting summaries, it was clear that the cost elements had been laid out. (FAC0427-590) However, in reviewing the credentials of the eight panel experts (FAC0454), none of the panelists appeared to have specific accounting acumen to assess the details of the financial plans that they put forward. It is my opinion that this panel was looking at the project from the 50,000 foot height back in 2010. It may be time now to look much closer at the historical expenditures.

From Ms. Couch's earlier reports #1 through #4, cost overruns subsequent to this IRP study are quite apparent and, in particular, the costs of the CRC project management have dramatically increased. Her Report #5 concerning three subcontractors may be touching only on the tip of the iceberg of why costs are escalating. It is imperative that someone with strong investigative accounting skills conducts an independent, detailed "boots-on-the-ground" examination of the costs incurred to date before moving on to approve massive funding for the future work.

Proposed New Project Studies

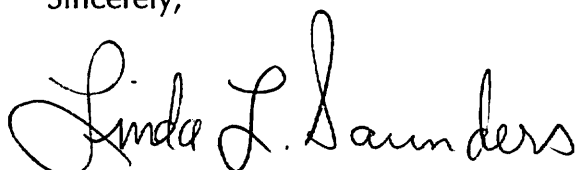
From a March 15, 2013 *Seattle Times* newspaper article, it appears that an Ex-DOT administrator, Ron Paananen, is being tapped to study Washington bridge and tunnel projects for approximately \$325,000. (FAC0397-398) One of the projects is, of course, the CRC project. From an independence standpoint, the *Seattle Times* reported that Mr. Paananen works for CH2M Hill, who receives millions of dollars in consulting fees from WSDOT for contracted construction projects. It does not appear that Mr. Paananen has done work on the CRC Project, but to have him “study” projects he has formerly worked on would seem to be a conflict of interest. He is also a project manager and engineer, not an accountant, so such a study would also require specialized accounting expertise to look at the detailed financial aspects for such a study.

Summary & Conclusions

This engagement was limited to examining Tiffany Couch and her company Acuity Group’s report #5 and the supporting documentation in order to offer you written assessment of her findings. I believe her findings are valid, and I agree that a comprehensive accounting review is in order for analyzing CRC Project expenditures to date. If the CRC Project needs to be put on “pause” by not incurring further change orders and cost increases while financial experts answer the questions raised by Ms. Couch, then that is what needs to be done.

We, as taxpayers, need to know that what is being spent for the CRC Project is prudent and cost effective. In this austere economy with less and less money flowing through government’s coffers, both the government and their contractors need to give the taxpayers the best buy for their money. Although the numbers may pencil out as being totally prudent, the appearance of a person doubling their income by becoming a subcontractor rather than being an employee must make the hair stand up on the back the taxpayer’s neck.

Sincerely,



Linda L. Saunders, CPA/CFF, CFE, CGFM

Attachments:

Exhibit 1—Linda Saunders, CPA/CRR, CFE, CGFM-Fraud Expert & Curriculum Vite
Exhibit 2—Tiffany Couch, CPA/CFF, CFE-Credentials & CV