

Edit Referral

H-22-160 Referral Information

Hotline ID: H-22-160

Date of Submission: 5/3/2022

Entity Type: State

Entity Category Type: Park and Recreation District

Entity: Bainbridge Island Metropolitan Park and Recreation District

Sub Entity Name:

Category: Misappropriation of Assets

1-2 sentence description of concern: a) The District doesn't have authority to purchase goodwill/intangible assets of an ongoing private business. b) Public funds transferred to purchase the goodwill/intangible assets to a private individual is an unconstitutional gift. c) A public entity (District) competing with private entities.

Report Issued: No

Reporting Type: Hotline Letter

Report Number:

Investigation Contracted: No

Contract Number:

Contract Name:

Billing Time Code:

Costs:

Public Records Request: No

Flag For Annual Report: No

Substantiated: No

ARRA: No

Action: Referred to Audit Team - Consider Next Audit

Audit Team: Port Orchard

Audit Team Contact: strzalkaa@sao.wa.gov

cc:

Referral Date: 5/3/2022

Action Taken: No

Response Date:

Report Date:

Follow Up Date:

Date Closed: 1/17/2023

H-22-160 Contact Information**Hotline ID:** H-22-160**Date of
Submission:** 5/3/2022**Submission Method:** Web**Submission Type:** Citizen**Staff:****Author(Last, First):** Knight , David**Address:** 9790 NE Murden Cove Drive**City:** Bainbridge Island**State:** WA **Zip:** 98110**Home Phone:** NA**Work Phone:** NA**Mobile Phone:** 206.390.8289**Email:** dknight@knightpartnersllc.com**Contact** Mobile Phone**Preference:** Email**Waived Confidentiality:** Yes

H-22-160 Referral Details

Hotline ID:

H-22-160

What state or local organization is involved?

Please identify the specific concerns you are hoping the audit will address.

a) The District doesn't have authority to purchase goodwill/intangible assets of an ongoing private business. b) Public funds transferred to purchase the goodwill/intangible assets to a private individual is an unconstitutional gift. c) A public entity (District) competing with private entities.

Please provide a detailed description of the assertion or outstanding achievement, including who, when, where, what, how and how much.

Detailed description: See enclosed legal opinion prepared by Bricklin & Newman LLP, Seattle attached to the Bricklin & Newman letter to Attorney General Ferguson and State Auditor McCarthy dated July 26, 2021. Who: Bainbridge Park & Recreation District Board of Commissioners. When: June – September 2021. What: Violations of statutory authority and Washington state constitution. How & how much: See detailed description.

How did this issue come to your attention?

My wife and I have been members of the Bainbridge Athletic Club ("Club") for about 10 years. In mid-June 2021 we heard rumors around the Club that the District was buying the Club. Earlier in 2021, we heard that the owner, Michele K. (Shelly) Stockman, intended to sell the Club. There were private parties that were interested and willing to purchase the Club, its assets and real estate. However, a few days before the June 17, 2021 public meeting of the District Board of Commissioners we heard the District was buying the Club. Please see Bricklin letter to the Auditor for more detail. Many dozen concerned Bainbridge Island taxpayers and Club members attended the public Zoom meeting and learned the purchase price and terms had already been negotiated. The public meeting was only a formality to authorize the District to sign the purchase agreements. The District Board of Commissioners didn't allow any discussion. The community was very upset. About 60 taxpayers created an informal coalition, created a legal fund and engaged Bricklin & Newman to analyze the transaction. The result is their opinion letter mentioned previously.

What employee(s), contractors, etc., were involved in the assertion or achievement? Please include employee titles if possible.

District Board of Commissioners Position One – Dawn Janow Position Two – Ken Dewitt Position Three – Tom Swolgaard Position Four – Jay Kinney Position Five – Tom Goodlin Administration Executive Director – Terry Lande Finance Officer – Amy Swenson

Please provide the names of any witnesses to the assertion or achievement, if possible.

The following witnesses all donated to the coalition legal fund except David Bricklin and Bryan Telegin. 1. David Bricklin – attorney for coalition of concerned taxpayers. 2. Bryan Telegin – attorney for coalition of concerned taxpayers. 3. David Knight (Complainant) 4. Ann Knight 5. Rachel Alnwick 6. Irva Cooper 7. Tom Nicol 8. Eileen Nicol 9. Diane Daubeneck 10. Lee Parker 11. Pete Olson 12. Lissa Dashe 13. Aileen Bergstrom 14. Annie Fanberg 15. Mark Freeman 16. Carol Pendleton 17. Christine Power 18. Dawn Snider 19. Niki Froines 20. Chad Haight 21. Ron Kolb 22. Ellen Little 23. Jackie Osland 24. Matt Parent 25. Stephanie Viele 26. John Viele 27. Lisa Wiggins 28. Esther Parvin 29. Frank Nance 30. Kathryn Nance 31. David Huether 32. Keith Israel 33. Kirsty Ausmeier 34. Jen Carillo 35. Malitzski 36. Sarah Taylor 37. David Moore 38. Nancy Lobisser 39. Ni Chin 40. Eleanor Gray 41. Emmy Sunshine 42. Dana Fisher 43. Linda Bruce 44. Andrea Mann 45. Amanda McCoy Bast 46. Jill Day 47. Shannon Fitzgerald 48. Susan Bray 49. Craig Kelly 50. Emma Dressler 51. Carlene Murphy 52. John Steiner 53. Ron Wood 54. Gary Cooper 55. Nancy Nolan 56. Jim Fox 57. Kim Fox 58. Melissa Fink

Please provide any additional details or comments that would help us understand your assertion or achievement.

My wife, Ann Knight, and I were selected by the coalition to interact with Bricklin & Newman. I also spoke at two District public meetings. One on August 5th and one on August 19, 2021. I wrote my comments before the meetings and read them into the record. They are attached. I placed a public records request with the District. Attached are the following records received over approximately six months plus other relevant documents. 1. Letter from Bricklin & Newman LLP to Attorney General Ferguson and State Auditor McCarthy. Attached to this letter is the legal opinion describing the transaction and how it violates Washington statutes and the state constitution. 2. Redacted communications between the District and their legal counsels. I had requested all communications relative to their purchase authorization due diligence. It seems they claimed the broadest interpretation of attorney/client privilege. 3. Communications exemptions log. 4. Asset Purchase Agreement 5. Real Estate Purchase and Sale Agreement 6. Preliminary analysis and limited appraisal of the purchased assets dated July 6, 2021. Note the date of this limited appraisal is after the transaction was negotiated and the Asset Purchase Agreement was approved by the District Board of Commissioners on June 17, 2021. 7. Restricted Appraisal Report on the real estate dated July 9, 2021. Again, the report was prepared after the purchase was negotiated and approved by the District's Board of Commissioners on June 17, 2021. 8. David Knight's presentation to the District Board of Commissioners public meeting on August 5, 2021. 9. David Knight's presentation to the District Board of Commissioners public meeting on August 19, 2021. 10. Save Sakai community flyer. This document with attachments were sent by email to: Jeana Gillis, CPRO gillisj@sao.wa.gov Program Specialist, Office of the Washington State Auditor (546) 999-0918

H-22-160**Activity
Log****Hotline ID:** H-22-160

| Entry Date ▼ | Log Entry |
|--------------|---|
| 01/17/2023 | Referral updated by 'JEANA Gillis (gillisj)'. |
| 01/17/2023 | Discussed with AI and determined this is not within our authority and should be handled by the courts. Sent letter to the Citizen to explain our stance and attached to supporting documents. Ready to close. --whitebd |
| 10/12/2022 | Responded to citizen inquiry regarding planned audit timing. --strzalkaa |
| 05/04/2022 | Referral updated by 'AMY Strzalka (strzalkaa)'. |
| 05/04/2022 | Referral updated by 'AMY Strzalka (strzalkaa)'. |
| 05/04/2022 | Emailed citizen to let him know we'd consider his concerns during our next audit of the District (email attached in supporting docs). --strzalkaa |
| 05/04/2022 | Added response from citizen to related docs since it contains a bit more info. --strzalkaa |
| 05/03/2022 | Referral updated by 'JEANA Gillis (gillisj)'. |
| 05/03/2022 | Task assigned to 'strzalkaa@sao.wa.gov'. Team notification email sent to: strzalkaa@sao.wa.gov |
| 05/03/2022 | Referral updated by 'JEANA Gillis (gillisj)'. Action changed from (not set) to Referred to Audit Team - Consider Next Audit. |

From: [Strzalka, Amy \(SAO\)](#)
To: dknight@knightpartnersllc.com
Subject: Citizen Hotline H-22-160
Date: Wednesday, May 4, 2022 7:18:00 AM
Attachments: [image001.png](#)

Good morning Mr. Knight,

Thank you for contacting the State Auditor's Office Citizen Hotline with your concerns regarding the Bainbridge Island Metropolitan Park and Recreation District's purchase of the Bainbridge Athletic Club.

We will consider your concerns as part of our next audit of the District, planned for fall 2022.

Have a good day,



Amy Strzalka, CPA

Team Port Orchard Audit Manager, [Office of the Washington State Auditor](#)
(360) 845-1476 | Pronouns: she/her/hers
We are hiring! Go to sao.wa.gov/jobs to see our openings.

From: [Strzalka, Amy \(SAO\)](#)
To: dknight@knightpartnersllc.com
Subject: FW: Knight Auditor Citizen Hotline Complaint
Date: Wednesday, October 12, 2022 7:25:00 AM
Attachments: [image001.png](#)
[image003.png](#)

Hello Mr. Knight,

The audit for Bainbridge Island Metropolitan Park & Rec District is scheduled to begin in December of this year. We hope to have it completed by the end of January, 2023. We will consider your concerns when planning the audit. If your concern is included in the audit scope, we will communicate the results to you in writing upon conclusion of the audit. If not included in the audit scope, we will let you know as soon as that decision has been made.

Best,



Amy Strzalka, CPA
Team Port Orchard Audit Manager, [Office of the Washington State Auditor](#)
(360) 845-1476 | Pronouns: she/her/hers
We are hiring! Go to sao.wa.gov/jobs to see our openings.

From: David Knight <dknight@knightpartnersllc.com>
Sent: Tuesday, October 11, 2022 3:42 PM
To: Gillis, Jeana (SAO) <gillisj@sao.wa.gov>
Cc: Ann Knight <aknight@knightpartnersllc.com>
Subject: RE: Knight Auditor Citizen Hotline Complaint

External Email

Hello Jeana..... I'm following up on my complaint below. What is the status of the Bainbridge Island Metropolitan Park & Recreation District audit? I understand it is scheduled for Fall 2022.

Thank you.... David

David Knight
President/CEO
Direct: 206.390.8289
Skype: david_knight1
[Linkedin.com/in/david-knight-9351325](https://www.linkedin.com/in/david-knight-9351325)

Knight Partners LLC
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From: Gillis, Jeana (SAO) <gillisj@sao.wa.gov>
Sent: Tuesday, May 3, 2022 11:27 AM
To: David Knight <dknight@knightpartnersllc.com>
Cc: Ann Knight <aknight@knightpartnersllc.com>
Subject: RE: Knight Auditor Citizen Hotline Complaint

Thank you have I added your documents and sent it onto the team, you should be hearing from them soon.

From: David Knight <dknight@knightpartnersllc.com>
Sent: Tuesday, May 3, 2022 11:13 AM
To: Gillis, Jeana (SAO) <gillisj@sao.wa.gov>
Cc: Ann Knight <aknight@knightpartnersllc.com>
Subject: Knight Auditor Citizen Hotline Complaint

External Email

Hi Jeana,

I submitted my complaint this morning on the Citizen Hotline. The attachment with supporting documentation is too large to attach (I tried). Instead, I'm sending you a link to the Adobe Document Cloud. If you're uncomfortable clicking on a link, please send me upload link.

I'm using Adobe Acrobat.

You can view "Knight_CitizenHotlineSubmittal_May5_2022.pdf" at:

<https://acrobat.adobe.com/link/track?uri=urn:aaid:scds:US:b9f6d454-d519-4e6e-a502-bf2383f5e221>

There are far too many redacted pages, which is why the file is so large, but they are an important part of my complaint. Scroll through them to reach additional documentation.

Please confirm receipt of this email and the supporting documentation.

Reach out any time with questions or requests.

Many thanks Jeana.... David

David Knight
President/CEO
Direct: 206.390.8289
Skype: david_knight1

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From: Gillis, Jeana (SAO) <gillisj@sao.wa.gov>
Sent: Thursday, April 28, 2022 1:36 PM
To: David Knight <dknight@knightpartnersllc.com>
Cc: Ann Knight <aknight@knightpartnersllc.com>
Subject: RE: Test Email from David Knight

This is confirmation of the email, thank you.



Jeana Gillis, CPRO
Program Specialist, [Office of the Washington State Auditor](#)
(546) 999-0918 | Pronouns: She, Her, Hers
We are hiring! Go to sao.wa.gov/jobs to see our openings.

From: David Knight <dknight@knightpartnersllc.com>
Sent: Thursday, April 28, 2022 1:30 PM
To: Gillis, Jeana (SAO) <gillisj@sao.wa.gov>
Cc: Ann Knight <aknight@knightpartnersllc.com>
Subject: Test Email from David Knight

External Email

Hi Jena... thank you for returning my call yesterday, Wed. You left me your email and phone number in voice mail.

I will prepare the Complaint online, then email you attachments to include with the Complaint. I intend to have this completed the first part of next week.

Please confirm this email, so I know I captured your email address correctly. Also, please correct the spelling of your name if I'm mistaken.

Many thanks.... David

David Knight
President/CEO
Direct: 206.390.8289
Skype: david_knight1

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From: [White, Bradley \(SAO\)](#)
To: dknight@knightpartnersllc.com
Subject: Hotline Referral to the Washington State Auditor's Office
Date: Tuesday, January 17, 2023 9:16:00 AM
Attachments: [image001.png](#)
[H-22-160 letter.docx](#)

Dear Mr. Knight,

Please see the attached letter as our response to your Hotline Referral.

Thank you,



Brad White, CPA
Team Spokane Audit Manager, County Program Manager
[Office of the Washington State Auditor](#)
(509) 919-0240 | www.sao.wa.gov
Keeping Washington rooted in #GoodGovernment since 1889:
sao.wa.gov/rooted

From: [David Knight](#)
To: [Gillis, Jeana \(SAO\)](#)
Cc: [Ann Knight](#)
Subject: Knight Auditor Citizen Hotline Complaint
Date: Tuesday, May 3, 2022 11:13:06 AM
Attachments: [image001.png](#)

External Email

Hi Jeana,

I submitted my complaint this morning on the Citizen Hotline. The attachment with supporting documentation is too large to attach (I tried). Instead, I'm sending you a link to the Adobe Document Cloud. If you're uncomfortable clicking on a link, please send me upload link.

I'm using Adobe Acrobat.

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David Knight
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Direct: 206.390.8289
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Cc: Ann Knight <aknight@knightpartnersllc.com>
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Many thanks.... David

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From: [David Knight](#)
To: [Strzalka, Amy \(SAO\)](#)
Cc: [Ann Knight](#)
Subject: RE: Citizen Hotline H-22-160
Date: Wednesday, May 4, 2022 11:01:13 AM
Attachments: [image001.png](#)

External Email

Good mornin' Ms. Stralka.... Thank you for letting me know the audit schedule.

As you read through and process the information I provided in my complaint, feel free to contact me with any questions. The complaint is limited to facts and not opinions, other than the legal opinion.

We firmly believe that the BIMPRD violated their obligation to manage the taxpayers' funds within their authority. The reason I asked for the communications between the BIMPRD and their legal counsels was to try and determine whether they proceeded with the transaction knowing they were exceeding their authority. I included all the redacted pages I was provided. Hopefully, the Auditor has the authority to review "privileged" communications. If they knowingly violated their authority, that's a whole other problem.

Interestingly, Dawn Janow (Position #1) told one of the witnesses that the Board of Commissioners aren't worried about exceeding their authority because public agencies stick together and don't call each other out. Our coalition found this attitude to be particularly aggravating.

Thank you, in advance, for your efforts to carefully review and consider the transaction.

My best..... David

David Knight
President/CEO
Direct: 206.390.8289
Skype: david_knight1

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From: Strzalka, Amy (SAO) <strzalkaa@sao.wa.gov>

Sent: Wednesday, May 4, 2022 7:19 AM
To: David Knight <dknight@knightpartnersllc.com>
Subject: Citizen Hotline H-22-160

Good morning Mr. Knight,

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We will consider your concerns as part of our next audit of the District, planned for fall 2022.

Have a good day,



Amy Strzalka, CPA

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(360) 845-1476 | Pronouns: she/her/hers

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