



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Accountability Audit Report

Port of Port Angeles

Clallam County

For the period January 1, 2013 through December 31, 2013

Published November 6, 2014

Report No. 1012903





Washington State Auditor

Troy Kelley

November 6, 2014

Board of Commissioners
Port of Port Angeles
Port Angeles, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Port operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Port's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR

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AUDIT SUMMARY

Results in brief

In most areas we audited, Port operations complied with applicable requirements and provided adequate safeguarding of public resources. The Port also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we noted certain matters that we communicated to the Port management in a letter dated October 28, 2014, related to Port property leases. We appreciate the Port's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the Port of Port Angeles from January 1, 2013 through December 31, 2013.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Port's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Property leases
- Employee reimbursements – meetings with meals and travel
- Annual financial reporting
- Open public meeting minutes
- Bonding public officials
- Unemployment self-insurance
- Credit cards
- Travel
- Personal services contracts
- Cash receipting
- Third party cash receipting
- Personnel contracts

STATUS OF PRIOR AUDIT FINDINGS

The status of findings contained in the prior years' audit reports of the Port of Port Angeles is provided below:

1. The Port did not have adequate internal controls over lease contracts.

Report No. 1011405, dated March 10, 2014

Background

The Port of Port Angeles received more than \$1.7 million in 2012 from 63 active leases for land, buildings and terminal space. We reviewed 18 lease agreements; 13 had the following issues:

- Three leases did not have a current contract in place.
- Eleven leases did not have the required surety bonds as required by the contract.
- Eight leases were not up to date.
- Three leases did not have current tenant insurance.
- Utilities were not current or in the name of the lessee per the contract.
- Late fees were not being charged as required by the contract.

The Port does have a policy for leases that addresses new lease contracts; however, the Port does not have a formal policy for renewing leases. The Port also did not obtain the required surety bonds.

Status

We found the Port has taken some action addressing the issues identified during the prior audit; however, noncompliance continues to occur. We changed the level of reporting to a management letter as the Port is still in the process of addressing these concerns.

RELATED REPORTS

Financial

Our opinion on the Port's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the Port's financial statements.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Port's major federal program, which is listed in the Federal Summary section of the financial statement and single audit report. That report includes a federal finding regarding a material weakness in internal controls over suspension and debarment compliance that was reported.

Other reports

During the current audit period, the State Auditor's Office issued a report on agreed-upon procedures performed at the Port in 2013. This was a separate audit to examine the District's compliance with Passenger Facility Charges requirements, as required by Federal Aviation Agency compliance requirements. This report was issued as part of the financial statement audit report and is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE PORT

The Port of Port Angeles is a port district located in Clallam County. The Port provides an array of services including marine terminals, log yards, marinas, airports, industrial parks and rental properties.

An elected, three-member Board of Commissioners governs the Port. The Board appoints an Executive Director to manage the Port's daily operations and its 44 full-time employees. For 2013, the Port operated on an annual operating budget of approximately \$8.5 million.

| Contact information related to this report | |
|---|---|
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Port of Port Angeles at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

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