



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Port of Chinook

Pacific County

For the period January 1, 2016 through December 31, 2016

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February 22, 2018

Board of Commissioners
Port of Chinook
Chinook, 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,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT SUMMARY

Results in brief

In the 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.

About the audit

This report contains the results of our independent accountability audit of the Port of Chinook from January 1, 2016 through December 31, 2016.

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:

- Open public meetings
- Financial condition
- Fuel sales and cash receipting
- Procurement – Public works
- General Disbursements

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Port of Chinook
Pacific County
January 1, 2016 through December 31, 2016**

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Port of Chinook. The State Auditor's Office has reviewed the status as presented by the Port.

Audit Period: January 1, 2014 – December 31, 2015	Report Ref. No: 1020824	Finding Ref. No: 2015-001				
Finding Caption: The Port did not have adequate internal controls or oversight of its financial operations to safeguard public resources.						
Background: <u>Cash receipting</u> The Port lacked a written cash receipting policy, and its cash receipting operations did not have adequate segregation of duties. The same employee receipted cash, performed the daily cash drawer reconciliation and made the bank deposit. <u>Payroll</u> The Port did not have adequate controls to ensure salary and benefit information was accurate, and payroll processes did not have adequate segregation of duties. The same employee hired new employees, determined the pay amount, entered pay amount into the payroll system and processed payroll. There was no independent review function in place to ensure employee timesheets were complete and accurate. Additionally, the Port did not track employee leave benefits. <u>General disbursements</u> The Port did not have a written policy or adequate procedures in place to ensure expenditures were supported and allowable. The Commissioners were not performing a thorough review of disbursements, approvals of disbursements were not adequately documented and blank checks, without amounts or vendors, were being approved.						
Status of Corrective Action: <table style="width: 100%;"><tr><td><input checked="checked" type="checkbox"/> Fully Corrected</td><td><input type="checkbox"/> Partially Corrected</td><td><input type="checkbox"/> Not Corrected</td><td><input type="checkbox"/> Finding is considered no longer valid</td></tr></table>			<input checked="checked" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<input checked="checked" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid			

Corrective Action Taken:

The Port of Chinook recognizes there was a deficiency in internal control policies and procedures during the period January 1, 2014 to December 31, 2015. The audit was a result of the Port submitting a loss report related to concerns over cash receipting, payroll and credit card usage.

On December 31, 2015, the Port of Chinook and the Port of Ilwaco entered into an Interlocal Agreement for Management Services in an effort to promote the most cost-effective and efficient use of public resources, and using the personnel, expertise and resources of the Port of Ilwaco, to manage the Port of Chinook. The Port of Ilwaco had no management, administrative or audit related duties for the Port of Chinook during 2014-2015.

Effective January 2016, the Port of Chinook Board of Commission comprised of three first-time board members. In 2016, the Port of Chinook established a Financial Management Policy, which includes cash receipting controls, financial monitoring and employees/payroll, among other finance related matters. The Financial Management Policy absolutely prohibits blank check signing. Also, personal items shall not be purchased with the Port's credit cards or charge accounts. It should be noted at the time of this response, the Port does not have any Port issued credit cards. The Port has segregated cash and payroll duties and an independent management review is performed over each function. Regarding disbursements, the Financial Management Policy requires invoices to be approved for payment by management and all checks/warrants must have two signatures and be supported by appropriate documentation at the time of signing. According to the Port's policy, the checks/warrants must be signed by either two Port Commissioners or one Commissioner and either the Finance Director or Port Manager. This is not a comprehensive list of the Port's Financial Management Policy but is meant to highlight the concerns addressed in this audit finding.

The Port has worked diligently to implement policies and procedures addressing the internal control deficiencies identified in the 2014-2015 audit.

INFORMATION ABOUT THE PORT

Incorporated in 1956, the Port of Chinook is located in Pacific County. The Port provides services that include a marina, leased properties and moorage.

An elected, three-member Board of Commissioners governs the Port. There are no employees at the Port as of January 2016, the Port entered into a contract with the Port of Ilwaco to manage and oversee the operations of the Port of Chinook. The Port operated on an annual budget of about \$600,000 in 2016.

Contact information related to this report	
Address:	Port of Chinook P.O. Box 185 Chinook, WA 98614-0185
Contact:	Tricia Needham, Finance Director
Telephone:	(360) 642-3143

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Port of Chinook 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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov