



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Port of Brownsville

Kitsap County

For the period January 1, 2015 through December 31, 2016

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Office of the Washington State Auditor
Pat McCarthy

March 22, 2018

Board of Commissioners
Port of Brownsville
Bremerton, 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 independent audit report on the Port's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Port operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

About the audit

This report contains the results of our independent accountability audit of the Port of Brownsville from January 1, 2015 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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. 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, based on our risk assessment for the years ended December 31, 2016 and 2015, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Cash receipting – policy, daily usage and moorage fee processes and controls over receipts, deposits and bank reconciliations
- Financial condition and financial sustainability
- Compliance with annual report filing requirements
- Procurement – B-dock project including bidding for public works, prevailing wage and change orders



PORT OF BROWNSVILLE

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Fred Perkins
Jack Bailey

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Port of Brownsville Kitsap County January 1, 2015 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 Brownsville. The State Auditor's Office has reviewed the status as presented by the Port of Brownsville.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2012 through December 31, 2014	1015615	2014-001
Finding Caption: The Port did not follow State procurement laws, which limited competition and its ability to receive the best possible price and service.		
Background: Governments are required to comply with numerous state requirements for public works projects. These governments must adopt policies to ensure they comply with these laws, which may vary from project to project. During the audit period, the Port contracted out for various public works projects relating to construction of new docks within its marina. We reviewed these public works projects and noted the following instances of non-compliance with bid law requirements: <ul style="list-style-type: none">• The formal bid packages from the first bidding for the construction of C, D, & E Docks were not retained.• A bid tabulation form was not retained for the second bidding of the C, D, & E Docks project that had a contract award total of \$1,740,000, so we were unable to confirm if the lowest bidder was actually selected.• The Port did not retain evidence from the State's "Debarred Contractor List" proving that the contractors selected for the C, D, & E Dock project were not disqualified from bidding at the time contracts were entered into.		

- The Port did not obtain a "Statement of Intent to Pay Prevailing Wages" from any contractors it had entered into a contract with.
- The Port utilized the Small Works Roster for a project with a contract award of \$324,132, which is over the \$300,000 threshold, instead of following the formal bid procedures required by RCW53.08.120.
- The Port utilized the "Sole Source" exemption from bidding inappropriately.

Status of Corrective Action: (check one)

☒ Fully
Corrected

☐ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no
longer valid

Corrective Action Taken:

In response to the State Auditors Finding (Ref. No. 2014-001). At the time of the last audit there was a different person handling the bidding and contracting. Since he has retired, the Port of Brownsville has reviewed the finding from last year and these are the recommendations that were implemented. The Port now retains all bid tabulation forms and Intent to Pay Prevailing Wages in all formal bid packages received from all contractors. We keep those packages on site for 10 years. No contract is awarded without checking the Debarred Contractor list. The printout of the Debarred Contractor list is now filed in the winning bid package. The small works roster is only used for construction projects under \$300,000. Sole sourcing is now only used in an emergency capacity where the formal bid and procurement time cannot be met.

RELATED REPORTS

Financial

Our opinion on the Port's financial statements is provided in a separate report, which includes the Port's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

That report includes a finding for a material weakness in internal controls over financial reporting regarding accurate and complete financial reporting.

INFORMATION ABOUT THE PORT

The Port of Brownsville was formed by a vote of the people in 1920 to enhance the economic development in Kitsap County. The original pier built in 1902 by locals to accommodate small steamer ships and ferries transporting goods, people, and mail, was upgraded. In the 1940's the ships and ferries became uneconomical and the Port became a small boat basin. The Port now consists of a marina for approximately 320 permanent boats, which includes 48 privately owned boathouses plus 45 moorage slips and 350 linier feet for guest boaters. The Port has a fuel dock, launch ramp, fishing dock, an upland, and waterfront park.

An elected Board of three Commissioners governs the Port. The Board hires a Manager to oversee the Port's daily operations as well as its five full-time employees. For 2015 and 2016, the Port operated on annual budgets of approximately \$2.5 million and \$1.8 million, respectively. The Port received approximately \$380,000 in yearly tax revenue and generated approximately \$1,300,000.00 annually from marine operations.

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 Brownsville 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	
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