



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Port of Everett

For the period January 1, 2017 through December 31, 2017

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**Office of the Washington State Auditor
Pat McCarthy**

January 17, 2019

Board of Commissioners
Port of Everett
Everett, 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,

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 Everett from January 1, 2017 through December 31, 2017.

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 year ended December 31, 2017, 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 – timeliness and completeness of deposits, voids and adjustments
- Procurement – piggybacking
- Contract compliance – North Marina purchase and sale agreement

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>.

INFORMATION ABOUT THE PORT

The Port of Everett was established in 1918 and currently serves a portion of western Snohomish County, WA including the City of Everett, the northern half of the City of Mukilteo as well as unincorporated areas of Snohomish County. The Port of Everett is a special-purpose government that is tasked with economic development and operates independent of the City of Everett and Snohomish County. It is governed by three elected Port Commissioners that represent over 100,000 people in the Port District. The Port brings jobs, business and tourism to its local and surrounding communities, as well as maintains the overall environmental health of our waterfront. The Port Commission appoints an Executive Director to oversee the Port's day-to-day operations as well as its 100+ full-time and temporary employees. The Port had operating revenues of about \$30.5 million and operating expenses of \$34 million (including depreciation) for fiscal year 2017. The Port also administers the Industrial Development Corporation, which was created to issue tax-exempt, non-recourse bonds to finance industrial development within Port boundaries. The Port has structured its operations into three lines of business serving seaport cargo, small boat marina facilities and mixed use and light industrial property ownership and management. In addition to its operating activities, the Port supports public access facilities within the Port district and is a primary participant in economic development initiatives within Snohomish County intended to create opportunities for job expansion.

The Port of Everett is a strategic self-operating seaport. The Everett Port District is home to The Boeing Company's largest manufacturing facility and also homeport to Naval Station Everett. Everett's seaport specializes in high-value, over dimensional cargoes. The Port support U.S. exports and imports, including the aerospace, construction, manufacturing, energy, agricultural and forest products industries.

The Port of Everett operates the largest public marina on the West Coast with more than 2,000 recreational slips, 10 guest docks and a 13-lane salt-water boat launch facility. Located on the Snohomish River estuary, the Port of Everett Marina is adjacent to Port owned mixed use property which is utilized by a wide array of marine services businesses. The Port's Marina features a state-of-the-art, environmentally-compliant boatyard facility that consists of 72-full service stalls, with full electrical and water supply. The Marina is surrounded by miles of waterfront trails, open space for picnicking and kite flying, and Jetty Island, a destination water-sport area.

The Waterfront Place Central project is a new community where people can live, work, shop, relax and find entertainment. The masterplan for Waterfront Place Central includes 15 new public gathering spaces, up to 660 housing units, a waterfront hotel, up to 10 restaurants, and an estimated 662,000 sq. ft. of commercial, retail and marine sales and services. At full build out, the project is expected to generate approximately \$500 million in private investment and support more than 2,000 direct, indirect and induced jobs and \$8.6 million in new tax revenue for the city.

The Port also owns industrial properties, such as the Riverside Business Park. The Port acquired this brownfield site in 1999, and has continued to work to bring it to market for redevelopment and job creation. In 2016, private developers secured contracts for its development, and in 2017 several projects began being built. At completion, the site will support 500-700 employees and over 700,000 sf of light manufacturing and distribution facilities.

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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 Everett 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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