

**SCHEDULE OF FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

**Port of Camas-Washougal
Clark County
January 1, 2017 through December 31, 2017**

2017-001 The Port did not have adequate internal controls to ensure compliance with federal procurement and suspension and debarment requirements.

CFDA Number and Title:	11.300 – Investments for Public Works and Economic Development Facilities
Federal Grantor Name:	Department of Commerce
Federal Award/Contract Number:	070107296
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Description of Condition

The U.S. Department of Commerce, through its Economic Development Administration, awards grants through its Public Works and Economic Development Facilities program to revitalize the nation’s most distressed communities. The program’s primary goal is to support the efforts of distressed communities to develop their local economies by revitalizing and expanding physical and economic infrastructure, and creating or retaining long-term, private-sector jobs for area residents.

In fiscal year 2017, the Port spent \$1,201,918 in federal program funds for the Steigerwald Commerce Center Building Number 18 construction project. Of this amount, \$134,332 was used to pay two contractors for architectural and engineering services.

Procurement

State law requires qualifications-based selection for procurement of architectural and engineering services. Under federal law, architectural and engineering services may be procured following a competitive proposal method. Under this method, proposals must be advertised and the advertisement must identify all evaluation

factors and their relative importance. The contract must be awarded to the most qualified firm.

The Port's controls were not adequate to ensure its solicitation and award of these contracts complied with the federal procurement requirements. Instead of soliciting contractor proposals via public advertisement as required, the Port selected contractors for further evaluation from a roster of pre-qualified firms it had on hand. Selecting firms from a roster of pre-qualified firms does not meet the federal requirements to advertise.

Suspension and Debarment

Federal grant regulations prohibit recipients from doing business with or making sub-awards to parties that have been suspended or debarred. The Port is also required to tell contractors they are responsible for checking the suspension and debarment status of their subcontractors.

The Port lacked controls to ensure architectural and engineering contractors were informed they had a responsibility to verify subcontractors are not suspended or debarred.

We consider these deficiencies in internal controls to be material weaknesses.

These issues were not reported as findings in the prior audit.

Cause of Condition

Although the Port completed a competitive proposal procurement checklist provided by the grantor agency in awarding each contract, the Port did not fully understand the competitive procurement and federal advertisement requirements associated with the items in the checklist.

The Port does not have policies and procedures to ensure all its contracts with contractors include a clause informing contractors of their responsibility to check the suspension and debarment status of their subcontractors. Further, oversight was not sufficient to ensure all its contracts included the appropriate clauses.

Effect of Condition and Questioned Costs

We identified two of three contractors were not procured in compliance with federal requirements. Additionally, because the Port did not inform one of its architectural and engineering contractors about its responsibility to verify the status of its

subcontractors as either suspended or debarred, three of 25 subcontractors were not verified for suspension and debarment.

The Port cannot demonstrate it gave all interested and qualified firms the opportunity to be considered in the award of its two architectural and engineering contracts, and it did not advertise how the firms would be evaluated.

Without adequate internal controls over suspension and debarment, the Port cannot ensure federal funds were paid to subcontractors eligible to participate in federal programs. Payments made to an ineligible party are unallowable and could be subject to recovery by the grantor. However, because we were able to determine the subcontractors were not suspended or debarred, we are not questioning these costs.

Recommendation

We recommend the Port ensure staff responsible for managing grants are knowledgeable about federal procurement and suspension and debarment requirements. We further recommend the Port improve controls to ensure that all contractors that will be paid with federal funds are selected through allowed methods. Additionally, we recommend the Port improve controls to ensure that all contractors are informed of the requirement to check suspension and debarment status of subcontractors.

Port's Response

Port of Camas-Washougal staff, responsible for federal grant management, take their role for being knowledgeable on federal grant requirements seriously. Staff members attended a federal grant requirements workshop presented by Washington State Auditor's Office and Washington Finance Officers Association to be current on federal regulations; as well as a training by our Economic Development Administration's Civil Engineer Project Officer. Staff was diligent in doing its best to follow federal requirements.

The federal agency responsible for this grant reviewed the port's procurement policy, A&E contractor checklist and contracts and approved them. Although there were two areas in the architect and engineering solicitation and debarment process that were not processed correctly, the Port of Camas-Washougal has completed corrective action through policy changes so that this won't happen in the future. Furthermore, and most importantly, the Port of Camas-Washougal did correctly

process the many other areas of federal grant requirements and spent federal funds appropriately and all costs were allowable for reimbursement.

Auditor's Remarks

We appreciate the Port's commitment to resolve this finding. We will review the corrective action taken during the next regular audit. We thank the Port for its cooperation and assistance during the audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, sections 318-326 General procurement standards-Contract provisions, establishes procurement requirements.

Title 2 CFR Part 200, Uniform Guidance, section 320 Methods of procurement to be followed, describes the procurement methods to be followed.

Title 2 CFR Part 200, Uniform Guidance, section 213 – Suspension and debarment, establishes suspension and debarment requirements.