

Port of Peninsula

General

Code: 55Peninsula-AC20
Name: Port of Peninsula
Group: Olympia
Type: 55-Port/Airport District
Location: Pacific
Scope: Not Applicable

Team

Lead: Doug Kirkwood
Manager: Lisa Carrell

Procedures

A.1.PRG - TeamMate Administration

Procedure Step: Audit Set Up
Prepared By: BTV, 1/4/2021
Reviewed By: LJC, 1/6/2021

Purpose/Conclusion.

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Purpose / Conclusion:

Set up TeamMate audit file in accordance with TeamMate Protocol.

Testing Strategy:

All of the following steps are required in order to properly set up the TM file except for the optional step to set up global tickmarks. If the budget is less than 100 hours, auditors may skip steps 4-6 (filling out the profile and sending to TC) until the end of the audit.

1. **Add the audit team to the project** - To do this, go to the Planning tab and select Team. Then select the team from the TeamStore by clicking the "get" button.
2. **Set Project Manager and Lead** - Select the Lead and Manager from the drop down menus in the Team Tab of the Profile. The "Lead" should be the Auditor-In-Charge of the audit, and the "Manager" should be the Assistant Audit Manager supervising the audit.
3. **Fill out initial information in the Profile** - The Project Profile captures general information about the audit for the TeamCentral database. Access the Profile from the Planning tab and populate as many of the required fields in the Profile as possible at this stage of the audit. A description for each required field can be found in the TeamMate Protocol document.
4. Go to <http://saoapp/TMDV/ViewProjectErrors.aspx> and enter the project code then "Validate" to check your project for errors.
5. **Resolve any TMDV errors** - The TeamMate Data Validation (TMDV) application performs a series of edit checks on data in your project to ensure accuracy and conformity to protocol. If TMDV identifies errors for your project, resolve the errors and send to central again (if distributed) until TMDV displays that there are no records to display.

Exceptions could indicate either errors in the TeamMate profile or issue data or errors in other SAO databases. If you have confirmed that information in TeamMate is correct, contact the TeamMate Administrative Group to initiate corrections to our other databases.

6. **Set up your favorite global tickmarks (optional)** - Global tickmarks are available throughout the audit file and do not change from workpaper to workpaper. You can access the global tickmarks screen from the Planning tab.

7. **Initialize Audit** – Attempt to sign off on this step, which will trigger a dialog box asking if you would like to initialize the audit. After initialization of the audit, you may continue to add users or global tickmarks, but cannot delete any.

Guidance/Criteria:

See TeamMate Protocol document

Record of Work Done:

1. Added the audit team to the project

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2. Set the Project Manager and Lead
3. Filled out the audit profile
4. All projects - Checked Data Validation System for errors
5. Resolved all TMDV Errors
6. Set up my favorite global tickmarks, if needed
7. Initialized the audit file

A.1.PRG - TeamMate Administration

Procedure Step: Project Review & Finalize

Prepared By: (None)

Reviewed By: LJC, 5/5/2022

Purpose/Conclusion.*

Purpose/Conclusion:

To ensure that audit documentation complies with TeamMate Protocol, the audit file is ready for finalization and archiving, and that any files outside of TeamMate are completed and reviewed.

Testing Strategy.*

Replicas

Ensure that all replicas are merged into the master file and discard any replicas that will never be merged.

Review of workpapers

Review workpapers to ensure they are completed and properly signed off. You can use the Procedure Status Viewer (for all procedure steps) or the Schedule Status Viewer (for procedure summaries and attachments) to see the status of steps and attachments in the audit file. *The Viewers*

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can be accessed from the buttons on the Navigation Bar at the bottom of the screen.

Coaching Notes

Verify that all coaching notes have been addressed and cleared. You can use the Coaching Notes Viewer to see the status of all Coaching Notes in the audit file. *The Coaching Note Viewer can be accessed by from the button on the Navigation Bar at the bottom of the screen.*

During the finalization process, coaching notes will be deleted. If you want to keep these notes you will need to create a report using the Reports wizard and save it outside of the TeamMate file.

Hardcopy Files and External Data

Ensure that hardcopy files referenced by the audit are completed and reviewed. Also ensure that any unnecessary documentation or files, including databases with any confidential or sensitive information, are appropriately disposed. If files or databases are needed for future periods, ensure these are appropriately secured. *See the SAO Administrative Policy on Data Security and Access.*

Project Profile

Review and update the Profile information. See the TeamMate Protocol document for definitions and instructions for each required field. *The Protocol document can be accessed from your Start Menu | All Programs | State Auditor's Office or on the Intranet on the TeamMate page.*

EIS Entity Profile

Review and update the entity profile in EIS.

Issue Review

Ensure issue content and title is exactly what was presented to the client per the Exit Document, Management Letter, or Finding. There should only be one issue for each finding, management letter item and exit comment. Additional information or notes about the issue can be documented in the "notes" tab. Any other documented issues (that were communicated verbally, at pre-exits or were later combined or dropped) should be either deleted or marked as "verbal recommendations."

Check that all required issue fields are completed and correct. See the TeamMate Protocol document for definitions and instructions for each required field. *The Protocol document can be accessed under Help | Local Guidance or on the Intranet on the TeamMate page.*

Issue Sign-Off

All issues must be reviewed and signed off by a Supervisor and/or Manager, per Protocol. The finalization process will require all issues to have a state of "reviewed."

Resolve any TMDV errors - The TeamMate Data Validation (TMDV) application performs a series of edit checks on data in your project to ensure accuracy and conformity to protocol.

- Go to the Status and Milestones tab in the profile and change project status to "Post Fieldwork"

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- Go to <http://saoapp/TMDV/ViewProjectErrors.aspx> and enter the project code then "Validate" to check your project for errors.
- If TMDV identifies errors for your project, resolve the errors and check web site until TMDV displays that there are no records to display.

Exceptions could indicate either errors in the TeamMate profile or issue data or errors in other SAO databases. If you have confirmed that information in TeamMate is correct, contact the TeamMate Administrative Group to initiate corrections to our other databases

Change Project Status

Go to the Status and Milestones tab in the profile and change project status to "Post Fieldwork"

- Enter the report date in the "Post Fieldwork draft report)" actual date field.
- REMINDER - Do NOT change the status of the project to "Issued" or the project will not get archived.

NOTE - DO NOT CHANGE THE STATUS OF THE PROJECT TO ISSUED.

Complete/Finalize Project

After the audit report has been sent to OS the audit should be finalized by the Manager. To do this, go to Project | Finalize. The finalization process will:

- Halt the process if any issues have not been reviewed;
- Warn the Manager of unreviewed workpapers and/or steps;
- Check for uncleared coaching notes;
- Finalize the project, which prevents any further changes from being made to the file.

Note: if the project is finalized and the team subsequently needs to add or modify the documentation, contact the TeamMate Administrator for assistance.

Guidance/Criteria.*

See TeamMate Protocol document

Record of Work Done.*

All of the following steps have been completed for this audit file:

- All outstanding replicas are merged.
- All workpapers have been reviewed.

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- Coaching notes have been addressed and cleared.
- Hardcopy files have been completed and reviewed.
- Unnecessary files and databases have been appropriately disposed of, and any files or databases needed for future periods have been appropriately secured in accordance with SAO's administrative policy on Data Security and Access.
- The audit profile has been completed.
- EIS Entity profile has been updated.
- Issue Titles and Content match what has been presented to entity.
- Issue content has been reviewed and required fields completed.
- All issues have been signed off as reviewed.
- All TeamMate Data Validation errors are resolved.
- Project Status has been changed to Post Fieldwork

The audit will now be finalized.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Engagement Letter

Prepared By: LJC, 6/7/2021

Reviewed By: DJK, 8/3/2021

Purpose/Conclusion.*

Purpose / Conclusion:

To confirm that a common understanding of the terms of the audit engagement exist with the government.

Testing Strategy.*

To confirm our understanding with the government, auditors are **required** to perform the following procedures:

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- Choose the appropriate engagement letter template from TeamMate and modify it for the scope of the audit and any special needs.

Auditors should consider the need to confirm any critical scheduling or deadline issues, access to information at key service providers or component units or other matters that may be necessary to avoid or address prior audit difficulties.

- Have the engagement letter signed by at least the audit contact and a key oversight official (e.g. the chief executive or a member of the governing body or its audit committee). Auditors should consider whether others within the entity should also sign the engagement letter.

The team should consider whether signatures by a representative of the governing body, the chief executive and/or a member of the audit committee would be most appropriate for the circumstances and whether others in the organization should also sign. In making this judgment, auditors should consider the risk of miscommunication or lack of communication about the audit within the government, whether deadlines may not be met, and the likelihood and nature of any audit difficulties.

- Determine most appropriate time to obtain a signed engagement letter, but not later than the entrance conference date. Auditors should print the engagement letter for signature to ensure it is not modified.

Normally the engagement letter would be signed on the first day of fieldwork. However, it may be more appropriate to sign later after preliminary meetings about scheduling or at the entrance conference to facilitate signing by the governing body.

*Note that delay or refusal to sign the engagement letter would **not** preclude us from continuing with the audit, since our audit authority is based on statute and our own policy. However, in such circumstances, auditors should proceed with caution and consult with their manager and assistant director to determine the effect on the audit and the most appropriate response.*

Contact TAS with questions or for assistance with modifications to the engagement letter.

Changes to the Engagement Letter:

Auditors should carefully review management requests for major changes to engagement terms. To consider and respond to any requested changes, auditors are required to perform the following additional procedures:

- Understand management's reasoning and objective for the change.
- Discuss the requested change with their manager and, as appropriate, their assistant director and Team Audit Support.
- Auditors should not agree to changes that are not reasonably justified, including a request **during an audit** for a change in engagement type to one with a lower level of assurance.

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- Changes to engagement terms **during an audit** should be documented in a new engagement letter or addendum (the addendum template is available in the Store) in accordance with Policy 2140 and 1220. Include the new engagement letter or addendum in the audit documentation and an explanation in the Record of Work Done.
- Update audit plan and related steps to reflect the changes as appropriate.

Auditors should also complete a BUCO for changes to the audit period, scope or budget to update Audit Number information.

Guidance/Criteria.:

Policy 2140 - Engagement Letters **AU-C 210 – Terms of Engagement**

Record of Work Done.:

We developed an engagement letter using our template and considering the scope and factors affecting the audit.

We also considered who at the government should sign the letter and the most appropriate time to obtain the signed letter, considering the circumstances of the audit and our understanding of entity operations and the control environment.

We obtained the signed engagement letter as shown at [[Engagement Letter](#)]. No further work is considered necessary.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Review Annual Report

Prepared By: BTV, 1/4/2021

Reviewed By: LJC, 2/8/2021

Purpose/Conclusion.:

This step is not applicable at this time for Schools and ESDs.

Purpose:

To determine compliance with annual report filing requirements and identify items to consider in assessing audit risks.

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Conclusion:

We determined that filing requirements were met.

Based on our review of the annual report, we noted potential accountability risks, which we brought to the brainstorm at [[Accountability Audit Plan](#)].

Testing Strategy:

To review the annual report, auditors are **required** to perform the following procedures:

- Check the Data tab of EIS to determine whether the annual report was filed by the statutory deadline.

Contact Stacie Tellers with questions on reporting levels for annual report filing issues. When governments fail to file their annual report or are so late that it is not available at the beginning of the audit, this may also require an increase in audit budget and represent a difficulty that should be discussed at the exit conference.

- If the government has not yet filed, request they do so to meet requirements of RCW 43.09.230 and in order to ensure the most efficient, effective audit process.
- If the government has filed, auditors should review the following reports:
 - Attached schedules | Schedule 15 – State Grant Expenditures
 - Attached schedules | Schedule 17 – Public Works and Day Labor (cities and counties)
 - Attached schedules | Schedule 21 – Risk Management
 - Attached schedules | Schedule 22 – Annual Audit Assessment (if applicable)
- If the government reports on a cash basis, auditors should also review the Yellow Flag report to determine if reported financial information is reliable enough to use for analytical procedures.

If the cash basis government is only receiving an accountability audit, teams should consider following up on significant yellow flags or performing other procedures to verify data accuracy, such as tracing reported figures to the GL or County Treasurer reports. If significant misstatements are identified, teams should ask the government to review and resubmit corrected figures.

If governments have any questions or difficulty with online filing or updating their online filing, direct them to contact Team LGS for assistance (such as Kayley Pagio).

Guidance/Criteria:

BARS requires corrections to annual reports up to the audit completion

BARS manual 4.8.1.20 requires updates to annual reports for any subsequent adjustments up to the time of audit completion. After issuance of the audit report, if any errors are identified they should be recorded in the next period as a prior period adjustment.

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RCW 43.09.230 requires annual reports to be submitted to SAO

"The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class. Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year. ..."

Other Entity-Specific Reporting Requirements

- **Hospital Districts** - On December 6, 2005, our office issued a letter to all public hospital districts informing them that we would not consider hospitals reporting one month late (by June 30) to be a significant issue and, accordingly, would not report such late submissions as management letter or finding. This practice is due to our recognition of deadlines that Hospitals must meet to submit Medicare cost reports.
- **Housing Authorities (RCW 35.82.230)** – Authorities must file a report of its activities for the preceding year with the creating City or County.
- **Risk Pools (RCW 48.62.091(4))** – Annual report to State Risk Manager and auditor
- **Transportation Benefit Districts (RCW 36.73.160(2))** – Districts must issue an annual report to the public indicating the status of transportation improvement costs, transportation improvement expenditures, revenues, and construction schedules.

Record of Work Done:

To review the annual report, auditors are **required** to perform the following procedures:

- Check the Data tab of EIS to determine whether the annual report was filed by the statutory deadline.
We verified that for 2017, 2018, and 2019, the annual report was filed by the statutory deadline. No issues noted.
- If the government has not yet filed, request they do so to meet requirements of RCW 43.09.230 and in order to ensure the most efficient, effective audit process.
Not Applicable - The financials have already been filed.
- If the government has filed, auditors should review the following reports:
 - Attached schedules | Schedule 15 – State Grant Expenditures
Not Applicable - We noted there were no Schedule 15s attached as the Port did not have any State grants from 2017-2019.
 - Attached schedules | Schedule 17 – Public Works and Day Labor (cities and counties)
Not Applicable - Only applicable to cities and counties.

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- Attached schedules | Schedule 21 – Risk Management
We noted the Port does not have self-insurance. No risks noted.
- Attached schedules | Schedule 22 – Annual Audit Assessment (if applicable)
Not applicable for Ports.
- If the government reports on a cash basis, auditors should also review the Yellow Flag report to determine if reported financial information is reliable enough to use for analytical procedures.
We reviewed yellow flags to see if the Port's financials are reliable. Based on the significant number of errors identified below, we determined the Port's financials could not be fully relied on for our accountability audit. While we did not note a specific risk, *we will bring this to the accountability brainstorm to ensure we remain aware of it:*
- 2017 Yellow Flags
 - Compensated Absences was \$4,442 at the end of 2016, but reported as \$0 for the beginning of 2017. – *Through our follow up, we determined compensated absences was incorrectly omitted from the 2017-2019 Schedule 9.*
 - CERB 2005 Dredging for \$16,250 is listed on the Schedule 9, but not on the Schedule 1. – *Through our follow up, we determined this was incorrectly reported on the Schedule 1.*
- 2018 Yellow Flags
 - 2018 BOP – Non-voted General Obligation bond had a prior year's ending balance of \$0, but a current year's beginning balance of \$597,478. – *Through our follow up, we determined this was the 2008 bond being refinanced. Since this was new, the \$597,478 listed as the beginning balance should have been listed in the additions column.*
 - There was \$597,478 more in debt repayments listed on the Schedule 9 than there were "Debt Repayment – Airports and Ports" (BARS# 5914670) on the Schedule 1. – *This was a refinance of the 2008 BOP bond. Therefore, the \$597,478 additional debt repayments listed on the Schedule 9 (reductions) would be netted with the \$597,478 that should have been listed on the Schedule 9 as additions (as noted above) to have a \$0 impact on the Schedule 1.*
- 2019 Yellow Flags
 - Based on several errors listed as yellow flags, we noted the following issues with the Port's 2019 Schedule 9. The Port:
 - Did not report their pension liability, which had previously been \$80,489 in 2018.
 - Reported their 2018 beginning balances for 2 bonds, rather than their 2018 ending balances, as the 2019 beginning balances.
 - Reported the beginning balance of the 2008 BOP (\$622,562), which was refinanced to the 2018 BOP and should have had a beginning balance of \$571,570 per the 2018 Schedule 9.

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B.1.PR.G - Accountability Planning - Local Govt

Procedure Step: Understanding Entity & Environment

Prepared By: BTV, 2/22/2021

Reviewed By: LJC, 2/23/2021

Purpose/Conclusion:

Purpose:

To gain an understanding of the government's operations, environment and entity-wide COSO elements and identify items to consider in assessing audit risks.

Conclusion:

We gained an understanding of the entity and its environment sufficient to plan and perform the audit. Based on our review of the planning guide and other procedures, we noted potential accountability risks, which we brought to the brainstorm at [[Accountability Audit Plan](#)].

Conclusions based on our evaluation of entity operations and entity-wide COSO elements are documented in the corresponding permanent file steps.

Testing Strategy:

The following procedures are **required** to be done:

- **Review the applicable planning guide(s)**

Any required risks to assess that are listed in the planning guide must be identified as a red flag and evaluated at the planning conference brainstorm for applicability and significance.

- **Update the "Entity Operations" step in the permanent file**
- **Update the "Entity-Wide COSO Evaluation" step in the permanent file**
- **Maintain a current understanding of significant internal control systems by:**

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- Identifying significant internal control systems
- Determining when systems were last reviewed
- Noting a red flag for any significant systems that have not been recently addressed as a consideration for the audit plan.

Significant internal control systems include controls over the largest parts of the governments revenues, expenditures, assets or liabilities that are subject to substantial risks of fraud, loss, abuse or noncompliance. Typically, such systems would be addressed at least every 3-4 years. However, the need to update our understanding is a judgment dependent on the circumstances of each entity and engagement and should therefore be considered along with all other red flags as part of the brainstorm and planning process.

- Review and update government profile information in EIS

In addition to required risk assessment procedures performed in other planning steps and general inquiry, observation and inspection as part of on-site fieldwork, **consider** additional procedures, based on the government's size, complexity and anticipated risk and the auditor's experience. Additional procedures may include:

- Inquiry with management and other key employees. For example, auditors may ask about any significant events or changes occurring since the prior audit (ex: new debt, major construction, new software, etc).
- Scan the entity's budget and/or comprehensive plan.
- Review recent Client Helpdesk questions submitted by the government, which can be viewed in Helpdesk tab of EIS.
- Review list of resolutions passed during the period.
- Review the entity's website.
- Tour facilities.
- Identify significant sources of restricted funds.
- Review list of contracts awarded or contract activity reports.
- Identify significant revenue and expenditure streams.
- Identify cash receipting locations.
- Obtain a list of petty cash, change funds and imprest funds.
- Scan bank account and investment statements or financial statement notes to evaluate investment activity and the types of investments and accounts used.
- Review Public Disclosure Commission filings for elected officials or request information on personal or family businesses and land holdings from appointed officials and/or key employees.

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- Scan Schedule 21 in the entity's annual report. Annual report information in LGCS can be accessed from the data tab of EIS.

Guidance/Criteria:

SAO Audit Policy 4210 - Planning Accountability Audits

Record of Work Done:

Procedures Performed to Update Understanding

To gain an understanding of the government's operations, environment and entity-wide COSO elements, we performed the following procedures:

- We reviewed the planning guide [[Port Districts](#)], and noted the following required risks to assess:
- Financial Condition – *Governments have experienced a wide range of negative economic and operational effects as a result of COVID-19. We would expect that most governments have and will need to cope with reduced and/or delayed revenues and increased expenses. However, these effects may vary widely by government and will depend on a number of factors, including the government's policy or program responses to the pandemic, the extent of any offsetting decreases in other expenses, state or federal relief funding, and the strength of its financial condition to start with. This risk should be assessed for both accountability and financial audits as part of regular planning steps, and especially as part of the risk assessment inquiry. If needed, auditors may use the "Financial Condition" step available in TeamMate in the Accountability folder to further evaluate this risk.*
We reviewed the FIT tool and noted the Port had no risk indicators, and had a significant cash balance at [[FinancialIntelligenceTool](#)]. Per discussion with Jay Personius, Port Manager, the Port's financial position has improved further in 2020. Jay also stated that the Port likes to have a high cash amount to help with the risk of outside threats, which helped mitigate the potential financial risks from COVID-19. Since the financial position appears to be strong, we did not note any risks. However, since this is a required risk to assess, we will bring this to the brainstorm.
- EFT Controls – *Due to the increase in the number of payroll and vendor EFT cyber related frauds, testing EFT controls is a required risk to assess for all entities we audit. Of primary importance is to discuss controls related to changing existing EFT associated bank account numbers. Individuals with the ability to change or add EFT accounts need to have clear guidance on the process to authorize these changes through a proper validation method, specifically, a follow-up phone call. The majority of these frauds are prompted through email communication, but all change requests, including mail, fax and phone calls, should be followed up with a known contact using previously known contact information and not the contact information that may be provided in the request.*
Per discussion with Jay Personius, Port Manager, the Port does not use EFTs at the Port, and only pays with checks. We noted this didn't agree with the payroll control system from our last audit, which referenced EFT payments. After further follow up, Jay realized they do EFT payments for the Department of Retirement Services for pension related costs, and Department of Revenue for combined excise tax. Since the General Manager was not aware of EFTs being completed at the Port, there is a risk EFT controls are not adequate. We will bring this to the brainstorm.

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- Additional Compensation/Bonuses/Extra Pay/Incentive Programs - Ports often offer incentives or other types of extra pay compensation to staff. Due to laws prohibiting many types of additional pay auditors should be aware in planning of pay increases or one time disbursements that may indicate an unallowable payment.
Per discussion with Jay Personius, Port Manager, the Port does not have any programs like this. However, after calling the citizen hotline and further follow up, we determined employees were paid an additional amount of money in 2019. There is a risk this may not have been allowable. *We will bring this risk to the brainstorm.*
- Leases - Due to the implementation of GASB 87, both GAAP and cash-basis ports may be re-evaluating and restructuring lease arrangements. The reporting requirements were postponed and are not applicable until FY22 but most ports are aware that preparation is strongly suggested ahead of time from an operational perspective.
The Port is aware of the changes and is having their attorney take a look at leases to ensure they are prepared. *While we noted no risks, since this is a required risk to assess, we brought this to the brainstorm.*
- General inquiries and discussion with the audit liaison:
 - Payroll - Jay Personius, Port Manager, stated that the Port Commission had attempted to change their pay by lowering it. While this is not risky since they were lowering the pay amount rather than raising it, Jay explained they found out the Port Commission is not allowed to change their pay at all, including lowering it. Due to this, there were subsequent payroll corrections. While we did not note a specific risk, we noted this to help explain any payroll data we see throughout the audit that may be related to this. *Since there is no risk, we did not bring this to the brainstorm.*
 - General observation and inspection while working on site - **Not Applicable** - Due to COVID-19, we did not work onsite.
 - We gained an understanding of the government's operations and environment, including identification of the reporting entity, key operational information and significant accounting practices. Our understanding is documented in the Permanent File section of the audit at [Entity Operations - BARS Cash Basis]. *No risks noted.*
 - We gained an understanding of internal control components (based on the COSO framework) for the government as a whole. Our understanding is documented in the Permanent File section of the audit at [Entity-Wide COSO Evaluation]. We noted the following risk:
 - **Payroll:** QuickBooks performs all payroll and benefit calculations. There is a risk that these may not be reviewed or updated to ensure they are correct. *We will bring this to the brainstorm.*
 - We identified and evaluated key software applications in the Permanent File section of the audit at [KeySoftwareApplications]. *We noted the same payroll risk we listed above.*
 - We gained an understanding of the significant internal control systems, including determination of when systems were last reviewed and identification of any red flags that have not been recently addressed. Our understanding is documented at [Significant Internal Control Systems]:
 - **Payroll Controls** [Payroll Controls] - We updated our controls and noted *no issues or risks.*
 - **Cash Receipting Controls** [Cash Receipting Controls]: We updated our understanding of controls, and noted the following risk:

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- Fuel Tracking - Fuel is locked, and Cindy Bade, Port Auditor completes a fuel log reconciliation monthly to ensure no fuel is used for personal use. However, we noted Cindy is one of the employees with a key. We noted a lack of segregation at [Fuel Tracking - Segregation of Duties]. There is a risk fuel may be used for personal use due to a lack of segregation between duties. *We will bring this to the brainstorm.*
- **General Disbursement Controls** [General Disbursement Controls] - We updated our controls and noted *no issues or risks.*
- **Credit Card Controls** [Credit Card Controls]: We updated our understanding of controls and noted the following risk:
 - Credit Card Accountability - 2 of 3 credit cards are maintained in a room that all employee's have access to. If there were any fraudulent or questionable transactions, the Port's controls would not be adequate to isolate assignability to a single employee. Since there would not be assignability, there is an increased risk of employee's using this as an opportunity to misappropriate funds through credit card transactions. *We will bring this risk to the brainstorm.*
- We reviewed and updated government profile information in EIS. *No risks noted.*

Significant Events, Changes and Issues Noted:

Per discussion with Jay Personius, Port Manager, there were no significant events, changes or issues noted, with the exception of COVID-19. Jay also stated that COVID-19 did not have a significant financial impact on the Port. *No risks noted.*

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: FS & SA Audits Performed by Others

Prepared By: BTV, 1/4/2021

Reviewed By: LJC, 1/6/2021

Purpose/Conclusion:

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm from audits performed by other auditors.

Conclusion:

We identified no financial statement audit work performed by an external CPA.

Testing Strategy:

Auditors are **required** to review the following for information relevant to accountability audit objectives.

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AUDITS PERFORMED BY OTHERS

STEP 1: Identify financial and/or single audits performed by external auditors.

Determine if an entire financial statement and/or single audit(s) of the entity was performed by other auditors. Ensure the following required steps have been completed in compliance with SAO Audit Policy 3510 for use of external auditor's work. **Note: Review work may have been performed by another team, depending on the location of the CPA firm. Prior to performing the following steps, verify the status of the CPA review.**

- Discuss with Audit Manager; has review been performed, if not who will be performing review.
- Team performing review will create a new audit number and set up a separate TeamMate file for the CPA Audit Review.
- In the separate TM file, the team performing review will use the **CPA Audit Review steps** in the Special Engagements folder in the Store.
- This TeamMate file must be completed prior to planning the accountability audit (code time to "CPAP").
- If unable to complete the review in time for planning the accountability audit, re-evaluate the timing of the accountability audit and/or discuss the timing with your Assistant Director.

If part of the financial statement audit is performed by other auditors review the SAO financial statement audit to identify the scope. SAO Audit Policy 3510 requires staff to review the CPA workpapers if the portion of the primary government audited is 1) significant to the primary government (such as a Utility fund to a City) **and** 2) in lieu of an SAO audit. For CPA audits that do not meet these criteria no workpaper review is required. However, we still need to consider the audit results and any potential impact.

STEP 2: Review identified audits for work and exceptions.

Auditors should perform the following steps as they relate to the accountability audit objectives.

When the external audit is of the entire financial and/or single audit or a significant portion of the primary government:

- Obtain the TM file for the CPA Audit Review.
- Review the Concluding Step in the TM file.
- Review the CPA Review Checklist. Questions on checklist to specifically review for accountability audit objectives:
 - questions 10 & 21 – list of material compliance requirements identified and testing performed
 - questions 12 & 20 – list of significant risks identified and testing performed
 - question 25 – any known or likely misstatements missed
 - question 33 – conclusion on entity's going concern
 - questions 34, 35, 36 – misstatements identified
 - question 42 – report modifications

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- questions 43 & 44 – evidence of fraud, noncompliance or abuse
- questions 45, 46, 47 – audit results, significant deficiencies, material weaknesses, other recommendations
- question 50 – any other areas tested that leverage potential risks in our audits
- question 51 – any other issues or red flags that should be considered in our audits
- Review the Close Out Letter for any concerns with the audit documentation or report.

For audits of part of the primary government (not significant and not in lieu of an SAO audit):

- Obtain a copy of the audit report. If the SAO financial statement audit has been completed it should be in the related TM file.
- Review the Audits Performed by Others step (in f/s planning).

STEP 3: Document scope and results of identified audits, identifying areas of risk or areas that can be leveraged.

Auditors should document the following as they relate to the accountability audit objectives.

- Briefly document the scope and results of the other audit. (Such as fiscal year, opinion issued, findings, other recommendations, etc.)
- Document areas of risk to consider in the accountability audit based on review of the items in Step 2 (red flags).
- Document areas addressed by external auditors that potentially minimize risk for the accountability audit based on review of the items in Step 2.

Guidance/Criteria.ʹ

Review Work of Others planning guide

SAO Audit Policy 4210 - Planning Accountability Audits

SAO Audit Policy 3510 – Use of External Auditors’ Work for Local Government Audits

Record of Work Done.ʹ

We noted the following information relevant to the accountability audit:

Financial Statement Audits:

We identified no financial statement audit work performed by an external auditor.

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Single Audits:

We identified no single audit work performed by an external auditor.

B.1.PR.G - Accountability Planning - Local Govt

Procedure Step: Other Engagements & FAWF

Prepared By: BTV, 2/22/2021

Reviewed By: LJC, 2/23/2021

Purpose/Conclusion:

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm from other engagements and the FAWF.

Conclusion:

Based on our review of other engagements and the FAWF, we noted potential risks, which we brought to the brainstorm at [\[Accountability Audit Plan\]](#).

Testing Strategy:

Review of the financial statement and/or single audit work performed by external auditors is done in the step FS & SA Audits Performed by Others.

Auditors are **required** to review the following for information relevant to accountability audit objectives:

FAWF

Review Future Audit Work File (FAWF) items.

OTHER AUDITS, ENGAGEMENTS & STUDIES

STEP 1: Identify other engagements that may be relevant to accountability audit objectives by:

- Checking the Entity Information Suite (EIS) "Reports" tab to identify prior SAO audits and special investigations.

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- Checking the Entity Information Suite (EIS) "Special Investigations" tab to identify prior and in-progress SAO audits and special investigations.
- If applicable, inquiry with internal auditors and reviewing results of internal audit work to identify any potential risks. However, reliance may not be placed on the work of internal auditors unless requirements of audit policy 3520 are followed.
- Inquiry with management to identify any non-SAO audits, engagements or studies related to accountability audit objectives.

STEP 2: Review identified engagements that relate to accountability audit objectives for relevant work and exceptions. Auditors should specifically consider:

- Exceptions from the prior accountability audit.
- Prior accountability audit scope (from plan, exit document or audit history matrix).
- Whistleblower or hotline investigations (note: open investigations should be coordinated with Jeana Gillis).
- Fraud investigations (note: open investigations should be coordinated with Sarah Walker)
- Scope and issues from the financial statement and single audit, if applicable. This analysis will be documented in the Audits Performed by Others step for any part of the financial or single audit done by a CPA firm.

Auditors should consider areas tested during the financial statement audit that also relate to accountability risks, such as revenue or expenditure testing that addresses accountability risks, testing for the rights & obligations assertion, testing related party transactions, cost allocation plans, self-insurance, extraordinary transactions, debt covenants, etc.

- Work of internal auditors, if applicable (see Audit Policy 3520 for requirements on use of work of internal auditors).
- Other non-SAO audits, attestation engagements or studies that directly relate to accountability audit objectives (see Audit Policy 3530 for requirements on use of grant or oversight agency work as audit evidence).

STEP 3: Follow up on any relevant recommendations or findings to determine whether corrective actions were implemented. Follow-up procedures may be performed at this point or incorporated into the audit plan and referenced in this step.

Guidance/Criteria.:

SAO Audit Policy 3410 – Follow Up on Previous Audits

SAO Audit Policy 4210 - Planning Accountability Audits

Record of Work Done.:

We noted the following information relevant to the accountability audit:

Future Audit Work File items:

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Since the conclusion of the last audit, we monitored for any potentially relevant media reports, correspondence and observations from other audits and statewide activities. We reviewed the FAWF for items relevant to the accountability audit and noted none.

Prior Accountability Audit Exceptions:

We reviewed the last accountability audit evaluated prior audit issues as documented in [\[Prior Audit Issue Review\]](#) and noted all previously identified issues were trivial and Jay Personius, Port Manager, stated all previously identified issues recommendations had been implemented. *Therefore, we passed on further review.*

Citizen Hotline:

We checked EIS for any relevant citizen hotline referrals and noted **the following** risk indicators:

- **Payroll - Temporary Pay Assignments** - Per the citizen, employees received payments similar to bonuses in 2019 and the citizen wasn't sure if this was allowable, so they wanted to bring it to our attention. Jay Personius, General Manager, stated this was due to a transition of employees at the Port where different employees were temporarily taking on work that is not normally a part of their job. Jay also stated the Commission passed a resolution for this additional pay at the request of the Pacific County Treasurer's Office to evidence their approval. There is a risk these payments may not have been allowable. *We will bring this risk to the brainstorm.*

Fraud / Loss Reports:

Governments are required by law to notify our office of any known or suspected fraud, losses or illegal acts. We checked EIS for any relevant loss reports or investigations and noted **no** risk indicators.

Financial and Single Audit:

The government does not receive a financial audit.

The government does not receive a single audit.

Internal Audits:

We identified no relevant internal audit function.

Other Engagements:

We inquired with Jay Personius, Port Manager, on 12/30/2020 regarding other audits or engagements that may be relevant to the accountability audit and noted none.

B.1.PRG - Accountability Planning - Local Govt

Port of Peninsula

Procedure Step: Minutes
Prepared By: BTV, 5/13/2021
Reviewed By: LJC, 5/21/2021

Purpose/Conclusion.

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm by reviewing minutes of the governing body.

Conclusion:

Based on our review of minutes, we noted potential risks, which we brought to the brainstorm at [\[Accountability Audit Plan\]](#).

Testing Strategy.

Auditors are **required** to review minutes from the beginning of the period through the end of the audit.

Auditors should check with the AIC to determine if there are any known risks or items to look for. **Examples of risk indicators** and important information to note for an accountability audit are as follows:

- Resolutions, ordinances or policies relevant to accountability objectives.
- Discussion of citizen, vendor or management concerns relevant to accountability objectives.
- Any actions that appear unreasonable, unexpected or outside the scope of the entity's authority.
- Decisions in which board members are abstaining due to potential conflicts of interest.
- Debt issuance.
- Discussion of possible financial difficulties or business risks.
- Significant awarded contracts or public works projects or risk indicators such as:
 - Governing body approval to waive bidding requirements for purchases or public works projects (ex: for sole source or emergency reasons).
 - Use of alternative public works procedures such as design-build or general contractor / construction manager procedures.
 - Discussion of vendor protests or complaints about bid procedures or results.

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- Approval of large or numerous change orders.
- Discussion of significant cost over-runs or other problems with public works projects.
- New software or conversions.
- Situations that may trigger major liabilities or impairments, such as disasters, significant losses of capital or infrastructure assets or major lawsuits.
- Transfers or interfund loans.
- New grants, revenue sources or rate changes.
- New cost allocation plans.
- New entities, joint ventures, programs, or activities

Compliance with Open Public Meetings Laws:

During the review of minutes auditors should be alert for any apparent non-compliance with open public meetings requirements, such as:

- Absence of quorum
- Official actions of governing body do not appear to be documented in minutes
- Actions or decisions known to have occurred are absent from minutes
- Purpose of executive sessions not identified in minutes
- Executive sessions appear to be for unallowable purposes
- Minutes do not appear to have been taken for regular meetings, workshops or special meetings
- Business conducted at special meetings was not for the published reason meeting was scheduled

Guidance/Criteria.:

SAO Audit Policy 4210 - Planning Accountability Audits

RCW 42.30 and 42.32 describe requirements related to Open Public Meetings

SAO training for Reviewing Minutes - <http://saoapp/training/saostaff/RequestInternalSelfStudy.aspx?ClassId=8919>

Record of Work Done.:

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We reviewed the minutes at [Minutes] and noted the following risks:

- Procurement - Public Works - Bids came in for a Haul Out Bidding in the amounts of \$126K and \$101K. There was a \$23K upgrade for hot-dipped galvanizing that the Commission approved. There is a risk this was not properly procured. *We brought this risk to the brainstorm.*
- Procurement - Purchases - Portable Dredge Bid - 24' Dredge with 6" cutter head on trailer in the amount of \$106,500 plus tax was reviewed. Approved dredge purchase. There is a risk this was not properly procured. *We brought this risk to the brainstorm.*
- Payroll - Commission's new pay rates and salary - pay rates went into effect on 7/1/2018. While Jay stated the Commissioners were trying to reduce their pay, the Port ended up discovering a sitting Board is not allowed to change their pay. Due to this, they determined the correct amount that should have been paid and made adjustments. There is a risk these new pay rates and salaries were not properly implemented leading to employees being paid in incorrect amounts. In addition, there is a risk that the corrections were not done accurately, leading to under or over payments. *We brought these risks to the brainstorm.*
- Payroll - Commissioner's back pay claims settlement - Jay Personius, Executive Director and Cindy Bade, Financial Auditor will do an audit of Commissioner's pay due to Operating Revenues were over \$1 million as of 2014. Commissioners authorized Jay to settle Commissioner back pay claims based on true accounting of those monies owed, not to exceed \$12k per individual. Per discussion with Jay, the previous Commission didn't realize they were not allowed to change the pay for a sitting Commission. The Commissioners were trying to reduce their pay, but since it wasn't allowable, the Port's attorney recommended they pay what was properly approved prior to the change to avoid legal liability. There is a risk the pay adjustments were not calculated correctly. *We brought these risks to the brainstorm.*

Compliance with Open Public Meetings Laws:

During the review of minutes auditors should be alert for any apparent non-compliance with open public meetings requirements, such as:

- Absence of quorum, *no issues noted.*
- Official actions of governing body do not appear to be documented in minutes, *no issues noted.*
- Actions or decisions known to have occurred are absent from minutes, *no issues noted.*
- Purpose of executive sessions not identified in minutes, *no issues noted.*
- Executive sessions appear to be for unallowable purposes, *no issues noted.*
- Minutes do not appear to have been taken for regular meetings, workshops or special meetings, *no issues noted.*
- Business conducted at special meetings was not for the published reason meeting was scheduled, *no issues noted.*

B.1.PR.G - Accountability Planning - Local Govt

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Procedure Step: Planning Analytical Procedures

Prepared By: BTV, 5/18/2021

Reviewed By: LJC, 5/21/2021

Purpose/Conclusion:

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm by performing planning analytical procedures.

Conclusion:

Based on our planning analytical procedures, we noted potential risks which we brought to the brainstorm at [\[Accountability Audit Plan\]](#).

Testing Strategy:

Auditors are **required** to perform planning analytical procedures to identify risk.

Auditors are encouraged to develop analytics to match the entity's circumstances, activities and risks. The following are **examples** of common planning analytical procedures:

- Trend analysis of revenues and expenditures

Auditors would generally start with high level analyticals (such as revenues by fund and 2-digit BARS or expenditures by fund and object) before considering more detailed trends (ie: to sub-account) for certain high risk funds or accounts.

- Total payments by vendor
- Total payroll by employee
- Trend payroll by department or type of pay (ie: overtime, recognition leave, time loss, exchange time, etc)
- Total amounts passing through petty cash funds, imprest accounts and/or credit cards
- Surprise cash counts

CAATS Considerations

When analytical procedures involve CAATS, the following documentation guidelines should be followed:

- Databases should not be included in TeamMate. Only relevant query results should be included in audit documentation. This can be done with imported report documents, copied query excerpts, narrative description of queries and results, or other means.

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- When used as audit evidence, auditors should document where and how they obtained data and how they verified or were reasonably assured of the completeness and accuracy of the data.

FAP data is not validated in detail by Team Local ISA.

****NEW** School District Considerations**

FAP accounting data for schools is centrally gathered by IT Audit. Links to standard queries are located in EIS under the Data tab. An optional work paper is available in TeamStore to help select and organize queries for planning purposes.

Guidance/Criteria:

Planning AP differs from AP used as a substantive test in that the purpose of the procedure is discovery rather than substantiation. Although expectations of some sort are necessary for effective AP, expectations used for planning AP are often very general and do not need to be documented. Expectations may be derived from events or changes in activity noted during other planning steps, budgets, prior year figures, figures for comparable entities, or general understanding of relationships between activities and financial figures.

SAO Audit Policy 4210 - Planning Accountability Audits

Record of Work Done:

- We completed the audit history matrix [[Individual Audit History Matrix](#)] to evaluate potential risks, and noted the following:
 - [Procurement - Public Works](#) - We have not reviewed a public works project since prior to the 2007-2010 audit. There is a risk bid law is not being followed. *We will bring this to the brainstorm.*
 - [Procurement - Purchases](#) - We have not reviewed purchase procurement since prior to the 2007-2010 audit. There is a risk bid law is not being followed. *We will bring this to the brainstorm.*
- We completed both a Revenue and Expenditure Trend and an Expenditure Object Trend at [[Revenue/Expenditure & Expenditure Object Trends](#)]. We noted the following risks to bring to the brainstorm:
 - **Revenue & Expenditure Trend:**
 - [Revenues related to Airports and Port Services](#) - Airports and Port Services revenues, less reclassified Sales of Fuel, increased from \$184,762 from 2017 to 2018. The Port was unable to determine what caused this increase. There is a general risk since it is unclear what caused this increase. *We will bring this to the brainstorm.*
 - [Expenditures related to Airports and Port Services](#) - Airports and Port expenditures consistently increased, (between 11-33% per year) with the exception of in 2019. The Port was unable to determine what caused this increase. There is a general risk since it is unclear what caused this increase. *We will bring this to the brainstorm.*
 - [Procurement - Public Works](#) - The Port had emergency sinkhole remediation in their boatyard. There is a risk this was not properly procured. *We will bring this to the brainstorm.*

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- Procurement - Purchases - The Port purchased a haul out trailer and used hauler tractor for boat haul out services. There is a risk the Port did not properly procure these items. *We will bring this to the brainstorm.*
- **Expenditure Object Trend:**
 - Salaries & Wages - Through our payroll analytical, we determined the key cause was 2019 Temporary Pay Assignment. There was a total of \$23,000 given to different employees. There is a risk the 2019 Temporary Pay Assignments were not allowable. *We will bring this to the brainstorm.*
 - Procurement - Public Works - The Port had sinkhole remediation completed, the boatyard resurfaced, and the Morehead industrial yard resurfaced. There is a risk the Port did not follow proper procurement procedures. *We will bring this to the brainstorm.*
 - Procurement - Purchases - The Port purchased a new haul out trailer, a new hauler, and a sediment dredge. There is a risk the Port did not properly procure these items. *We will bring this to the brainstorm.*
- We used the FIT tool to evaluate the Port's financial condition [FinancialIntelligenceTool] for potential risks. We noted the Port had no red flags. *No risks noted.*
- Vendor Trend [Vendor Trend]:
 - Procurement Purchases: - There is a risk the following purchases were not properly procured. *We will bring these risks to the brainstorm.*
 - In 2017, the Port purchased a haul out trailer for around \$156k from KROPF Industrial, Inc.
 - In 2018, the Port purchased a sediment dredge for around \$118k from Geoforms International (DBA Jackson Specialties).
 - In 2017, the Port purchased a haul out tractor for around \$75k from Cascade Trader, Inc.
 - In 2018, the Port purchased around \$100k in steel pilings from James G. Murphy Co.
 - Procurement Public Works:
 - Between 2017 and 2018, the Port spent \$561,884 with the vendor Hill & Son. Per the Port, this was for prep and rock for Morehead Industrial, for the sinkhole, and for haul out facility prep and rock. While it is unclear if those were multiple projects or part of the same project, due to the dollar amount, there is a risk the Port did not properly procure this vendor for a public works project. *We will bring this risk to the brainstorm.*
 - Property Purchases: - There is a risk the following property purchases were not properly procured. *We will bring these risks to the brainstorm.*
 - In 2020, the Port purchased a piece of property from a lessor who owed around \$26k to the Port. The Port paid \$48,627 to Emerald Coast Title for the transaction.
 - In 2019, the Port purchased properties adjacent to the Port from Charges Gary Wilson Family Trust for \$98,000.
- Payroll Trend [Payroll Trend]:

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- Temporary Assignment Pay (2019) - All 5 Port Employee's in 2019 received Temporary Assignment pay between \$3,000 to \$6,000 per employee, and totaling at \$23,000. It is unclear how this amount was determined for the employees. In addition, a citizen had a concern submitted through a hotline related to the allowability of this assignment pay. There is a risk this assignment pay may not be allowable, properly approved, and/or paid in the approved amount. *We will bring this risk to the brainstorm.*
- COVID-19 Hazard Pay (2020) - In 2020, all employees received hazard pay. Per our discussion with Jay Personius, Executive Director, if the employees used COVID leave, their hazard pay would be reduced accordingly. We noted Cynthia (Cindy) Bade used COVID leave and was paid the full COVID-19 Hazard pay amount. Joe Lund used COVID leave and had his COVID-19 Hazard pay amount reduced. There is a risk the COVID-19 Hazard Pay was not properly approved and that it is not being applied properly. *We will bring this risk to the brainstorm.*
- Pay Rates (2019) - Hourly rates per the payroll report the Port sent us did not agree with our recalculated payroll rates, based on total amounts paid and amount of hours within the same report. Per discussion with Jay Personius, Executive Director, this may be due to a pay change part of the way through the year. However, we were not given support for this and Jay was unable to verify this. Therefore, there is a risk employees were not paid at the properly hourly rates in 2019. *We will bring this risk to the brainstorm.*
- Pay Increases (2019) - Multiple hourly employees received pay increases in 2019 and 2020. This can increase the chance of payments not being accurately made. *We will bring this risk to the brainstorm.*
- COLA (2020) - All employees also received a COLA increase in 2020 of 2.7%. Payroll changes, including from COLAs can lead to an increased risk of payroll errors. There is a risk payroll is not being correctly calculated. *We will bring this risk to the brainstorm.*
- Move to Full Time (2018) - Jay Personius, Executive Director, moved to a full time employee in 2018, leading to a pay increase of \$13,408. With a change in pay, there is an increased risk of it not being properly implemented. *We will bring this risk to the brainstorm.*
- Fuel Trend [Fuel Trend]:
 - Fuel Resolution - Per Jay Personius, General Manager, the Port Commissioners passed a resolution stating fuel charges will only be for \$0.20 over the amount paid per gallon. This can be difficult to calculate, as fuel can shrink and expand, and year to year might have more gallons purchased than sold. When considering all 5 years, the profit per gallon was \$0.09 or 45% higher than the Port Commission approved amount. There is a risk the Port is not following a Port Commission Resolution. *We will bring this risk to the brainstorm.*

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Risk Assessment Inquiry

Prepared By: BTV, 2/22/2021

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Reviewed By:

LJC, 2/23/2021

Purpose/Conclusion:

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm from inquiry with management.

Conclusion:

Based on our inquiry, we noted potential risks, which we brought to the brainstorm at [Accountability Audit Plan].

Testing Strategy:

Auditors are **required** to use the attached workpaper to inquire with the following key personnel, at minimum:

- Appropriate members of management with overall responsibility for financial and operational matters.

Generally, this will be the chief executive officer (e.g. city manager, mayor, superintendent) and the chief financial officer (e.g. finance officer, business manager, clerk/treasurer). But it may be or include deputy officers or members of the governing body depending on the structure of responsibilities and oversight or due to potential conflicts of interest or lack of segregation of duties. Auditors need to use professional judgment to determine the appropriate persons to communicate with depending on the circumstances.

- A member of the governing body or audit committee, as applicable.
- Internal audit personnel, if applicable

Also **consider** inquiries of others.

For example, the human resource manager, key accounting staff, facility manager, prosecuting attorney or managers responsible for operation of significant components or functions of the government. Also, consider talking with employees who may be able to corroborate information from management or others.

Inquiry should be performed using the following **guidelines**:

- Inquiry should be done in person whenever possible, rather than by phone or email.
- Due to the potential sensitivity of certain questions, auditors should be careful to ask them in a professional manner.
- The inquiry should be a conversation - auditors should be prepared to explain terms, rephrase questions in their own words and ask follow-up questions.

Auditors should be prepared to prompt the auditee with follow-up questions regarding potential risks described in the planning guide, identified in prior audits or identified in other planning steps.

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- The workpaper describes the minimum extent of the inquiry as a whole, although not every question will be applicable to every person interviewed. Also, auditors should consider additional questions about identified risks or controls as necessary.

Document response details in the attachment and a summary of procedures, results and conclusions about audit-relevant risks in the step.

When performing inquiries and evaluating responses, auditors should specifically consider:

- Whether responses generally agree with each other, and what any significant differences between the responses may imply (other than normal expected differences in opinion or perspective among professionals).
- Whether responses generally agree with other planning information and risk assessment conclusions of the audit, and what any significant differences may imply.
- Whether any responses indicate potential management override of controls or fraud, or any new risks that might need specific follow-up in planning.
- Whether any management communications, assessments or action taken in response to risks that were discussed in the inquiry might represent useful documentation or evidence for audit work.
- Whether management has planned or taken appropriate action for risks they have identified. And if not, the reasons for not doing so (ex: insufficient resources or other limitations, lack of consensus within the government, operational difficulties, etc).

Guidance/Criteria:

SAO Audit Policy 4110 - Objectives and Authority for Accountability Audits

SAO Audit Policy 4210 – Planning Accountability Audits

Record of Work Done:

Governments are required by state law (RCW 43.09.185) to report to our office any known or suspected loss of public funds or assets or other illegal acts. Citizens and employees may also contact our Office's citizen hotline to report known or suspected fraud or abuse. We reviewed loss reporting and citizen hotlines as documented in the *Other Engagements & FAWF* step. We also made general inquiries and observations throughout the planning process.

In addition to these steps, we performed formal inquiries with key personal regarding the government's understanding and assertions about their

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risks and responses as follows:

Determining Extent of Formal Inquiries:

Based on our understanding of the government, consideration of appropriate persons and other planning procedures, we determined that formal risk assessment inquiries [[Risk Assessment Inquiry Questions](#)] would be conducted with the following people:

- Phil Martin, Port Commissioner
- Jay Personius, General Manager
- Cindy Bade, Port Auditor

Results of Inquiries:

We evaluated responses individually, compared to each other, and compared to results of other planning steps in order to conclude on risks. We brought the following risks to the brainstorm:

- Procurement - Public Works: Shoreline master plan update – meant they needed to do something about the stormwater runoff from their lot, so they had to spend around \$130,000 to put in a trench system to guarantee the water would go back in and recharge the aquifer instead of having a chance of going into the bay. Hired an engineer, the engineer made some recommendations, they went through the procurement process (small works roster). There is a risk proper procurement procedures were not followed. *We will bring this to the brainstorm.*
- Fuel Controls: Fuel is always a concern, because it is so much money. It is a dynamic process. There is a risk fuel controls are not adequate to safeguard public funds. *We will bring this risk to the brainstorm.*
- Payroll (Bonuses/Pay Adjustments): In 2019, the Port was in a situation where they didn't quite need another employee, but had additional work to complete. This was due to one employee being gone because of medical related items. Due to this situation, all the employees stepped up to help with different additional tasks outside of their normal work. Phil stated he didn't consider this as a bonus, but as an adjustment for additional items they had done on an hourly basis. We noted in our payroll trend, all employees were paid this additional amount in increments of \$1,000. Therefore, it doesn't appear that the amount they were paid was calculated on an hourly basis. In addition, it is unclear if this was allowable. *We will bring these risks to the brainstorm.*

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: AC Brainstorm

Prepared By: BTV, 5/25/2021

Reviewed By: LJC, 5/28/2021

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Purpose/Conclusion:

Purpose:

To discuss and evaluate accountability risks among key members of the audit team in order to develop the overall audit strategy.

Conclusion:

The audit team has evaluated the risks and developed the overall audit strategy. During the course of our brainstorm, we noted **no** new risks that were included in the plan.

Testing Strategy:

Auditors are **required** to perform all the following steps:

Brainstorming Discussion (Planning Conference)

Hold a planning conference brainstorm with key members of the audit team. To allow the brainstorming process to effectively evaluate and finalize scope decisions and design further audit procedures:

- All planning steps should be completed and reviewed prior to brainstorm.
- The AIC should be prepared with a proposed priority of risks to include in the audit.
- The planning conference brainstorm should take place in person or on the phone.
- Use professional judgment in determining which audit team members should be included in the discussion. The brainstorm should include, at minimum, the key members of the audit team. Normally, this would be the AIC, Supervisor and Audit Manager. This could also include other members of the current audit team, member of the team that performed the CPA Review, the prior AIC, specialists or program manager or others. Managers should consider the experience of the AIC and Supervisor and the size and risk of the audit in determining who should attend and the timing and extent of brainstorming discussion.

At a minimum, the discussion is **required** to include the following topics:

Understanding of Entity:

Consider how our understanding of the entity, its environment and its operations might affect and inform our accountability audit. What types of risks are most important to address? What areas are most susceptible to fraud, loss, abuse or noncompliance? Are there any significant systems that haven't been reviewed in the last 3-4 years or our understanding needs to be updated?

Other Audits:

Consider the scope and results of financial or single audits performed by SAO or external CPA firms and how these audits might affect and

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inform our accountability audit. Were there indications of risk that we should consider in our accountability audit? Was there work performed in other audits that would address accountability areas?

Results of Planning Steps:

Review the results of planning procedures. Does planning indicate a low, moderate or high risk audit?

Red Flags:

Discuss each red flag identified by planning and consider the need for further audit procedures.

Results of Analytical Procedures:

Discuss risk indicators or unexpected relationships noted in planning analytical procedures. Do any unusual or unexpected relationships identified indicate risks of fraud, loss, abuse, noncompliance or financial distress?

Other Information and Experience:

Discuss any major changes occurred; any unusual events or transactions identified. Does any other information or experience with the entity indicate risks of fraud, loss, abuse or noncompliance?

Responses to Audit Risks:

Determine the best way to respond to identified risks. Consider the relevance and potential impact of the risks identified, as well as necessary resources.

Importance of maintaining professional skepticism:

Supervisors should emphasize the need to maintain professional skepticism throughout the audit and highlight any areas of potential concern or where special care or consideration may be needed.

Discussion among the engagement team about risks should continue throughout the audit. Auditors do not need to document every discussion, but should consider documenting any additional key brainstorming discussions, particularly if there were major re-evaluations or updates to the audit plan.

Follow up with other members of audit team

Information and decisions discussed may be relevant to work performed by other members of the engagement team not involved in the discussion, specialists or other auditors performing a portion of the audit. The AIC should communicate relevant matters as necessary with auditors not involved in the brainstorming discussion.

Communicate risks or information relevant to other SAO audits

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Appropriately communicate information or risks identified in the planning that may affect or be better addressed with a different type of engagement (for example, a financial statement audit), a future engagement, an engagement of another local government or state agency, or by other parties, such as regulatory bodies or law enforcement.

Guidance/Criteria:

SAO Audit Policy 4110 -Objectives and Authority for Accountability Audits

SAO Audit Policy 4210 - Planning Accountability Audits

Record of Work Done:

Brainstorm

Date: May 25, 2021

How: discussion among key members of the engagement team via Teams

Attendees:

- Lisa Carrell, Audit Supervisor / Auditor in Charge for Audit Work
- Beau Villarreal, Auditor in Charge for Planning

We discussed accountability risks identified in previous planning steps to determine priorities for areas to audit. See ([Accountability Audit Plan](#)).

Subject Matter Discussed (as detailed in testing strategy):

- Our understanding of the entity
- Relevant work performed in other audits
- Results of planning steps, including:
 - All red flags identified in other planning steps
 - Results of analytical procedures
 - Other information and experience with the entity
- Audit responses to risks
- Importance of maintaining a questioning mind and exercising professional skepticism

Decisions Reached:

Overall risk and responses are documented in the AC Audit Plan. See ([Accountability Audit Plan](#)).

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B.1.PRG - Accountability Planning - Local Govt

Procedure Step: AC Audit Plan
Prepared By: BTV, 1/5/2021
Reviewed By: LJC, 5/21/2021

Purpose/Conclusion.

Purpose:

To finalize our overall audit strategy and audit plan to address identified risks in the accountability audit.

Conclusion:

See documented plan in the *Record of Work Done* and attached Accountability Audit Plan.

Testing Strategy.

Overall Accountability Risk

Assess overall risk for safeguarding of public resources and compliance. Planning should reflect the overall risk assessment in staffing, supervision, audit budget and the overall level of testing.

When determining overall risk, auditors should consider the number and nature of red flags identified in planning. Auditors should also consider any structural risks that could potentially affect many audit areas, such as:

- *Issues with overall COSO elements, such as the control environment or information systems*
- *Use of the County Treasurer*
- *Ability to segregate duties effectively*
- *Major financial distress*

Select Areas to Test

Identify accountability areas selected for testing. The plan should describe each risk selected for testing (what could go wrong) and our planned audit response (further audit procedures).

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Changes to Audit Plan:

Document both the original plan and any changes made during the course of the audit. Document changes to the original plan in either the "Changes to Audit Plan" step or in the Record of Work Done (e.g.: using a different font color for changes or listing changes in a separate section at the end of the plan). For changes that result in a new engagement letter or addendum in accordance with policy 2140 and 1220, refer to the Engagement Letter step in Teammate.

Determine Staffing & Budget

Staffing

Identify the AIC and AAM of the audit in the Team tab of the Profile, considering the knowledge, skill, and ability of personnel assigned significant audit responsibilities and the appropriate level of supervision.

Determine whether assigned staff are independent with respect to the entity under audit and identify any threats to independence along with planned safeguards (Policy 3110). Also, consider whether assigned staff collectively possesses adequate professional competence for the tasks required (Policy 3140). If the audit will require the use of a specialist with expertise in a field other than accounting or auditing (Policy 3230), describe the planned nature and extent of reliance.

Reliance on Work of Others or in Other Audits

If work of external auditors (Policy 3510), internal auditors (Policy 3520) or in other SAO audits is expected to be used as audit evidence in an area planned for testing (that is, more than just risk assessment information used to select or not select an area for testing or follow-up), the plan should describe the anticipated nature of this reliance.

Budget

Develop a detailed audit budget, considering risks, staffing and other circumstances. Initial budget information is available in TABS. Inform your supervisor and audit manager if TABS is not correct so that changes can be requested.

Guidance/Criteria:

SAO Audit Policy 4110 -Objectives and Authority for Accountability Audits

SAO Audit Policy 4210 - Planning Accountability Audits

Record of Work Done:

Overall Accountability Risk and Planned Audit Areas

We assessed the overall risk and identified risks to be addressed in the accountability audit as documented in the attached Accountability Audit

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Plan spreadsheet [[Accountability Audit Plan](#)].

Staffing & Budget

Staffing - The auditor in charge, supervisor and all assistants are listed in the Team tab of the Profile. We have planned the audit staffing to ensure that all staff are adequately supervised.

We also considered whether specialized skills are needed in performing the audit and determined that assigned personnel collectively have the technical knowledge, skills and experience necessary to perform the audit.

Independence - We considered independence in accordance with Audit Policy 3110 and 3120 and identified **no** threats to independence.

Reliance on work of others - We considered the potential relevance of work performed in other engagements and the effect on our audit. We **do not** plan to rely on other SAO audits or work of others as audit evidence in any planned areas of testing.

Budget - We developed a detailed audit budget as documented in [[Audit Budget](#)].

B.1.PR.G - Accountability Planning - Local Govt

Procedure Step: AC Entrance Conference

Prepared By: LJC, 6/14/2021

Reviewed By: DJK, 8/3/2021

Purpose/Conclusion.:

Purpose / Conclusion:

To communicate our audit responsibilities and the planned scope and timing of the audit to management and the governing body.

Testing Strategy.:

If no entrance conference was held, explain the situation in the record of work done (and the Entrance Conference Explanation Field in the custom tab in the profile). The record of work done must describe how the required information above was communicated to management and those charged with governance.

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BEFORE the Entrance Conference:

- If not clearly evident from the governance structure, determine “those charged with governance” for purposes of audit communication and document our conclusion.

Those charged with governance are those responsible for overseeing the strategic direction of the government and fulfillment of the government’s objectives and obligations. In some governments, multiple parties may be charged with governance, including oversight bodies contracting for the audit, members or staff of legislative committees, boards or audit committees. The auditor’s evaluation would consider how the government delegates authority and establishes accountability for management.

- Communicate with management who will conduct and attend the Entrance conference.
- Set up the Entrance conference at a time convenient for client and SAO staff.
- Invite elected officials to the Entrance conference (see template letter available in the SAOStore).
- Prepare the Entrance conference handout the using the required template available in the SAOStore. The template must be adjusted as necessary for each audit.

DURING the Entrance Conference:

Present and discuss information on the entrance conference handout to ensure there is a clear understanding of the following areas: Scope and timing of the audit, including the month we expect to issue our report; reporting levels for audit recommendations; audit costs; audit staffing; expected communications; and other information considered important to the audit.

AFTER the Entrance Conference:

- Attach the entrance conference handout and any other documents that were presented.
- Document the conference attendees (SAO and client) as well as the date of the conference.
- Document any significant conversations that might result in a change in our risk assessment or audit plan.
- Send copies of the entrance document to any elected officials who were not able to attend the conference, unless the governing body uses a finance/audit committee for contact with the auditor.

Guidance/Criteria.:

SAO Audit Policy 2130 - Inviting Officials to Entrance and Exit Conferences

SAO Audit Policy 2210 - Conducting Entrance Conferences

Record of Work Done.:

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Invitations:

The Port requested an informal entrance, so we sent a Board notification afterwards at ([Board Notification](#)), ([Board Notification](#)) and ([Audit Entrance](#)).

Entrance Conference:

The entrance conference handout is documented at [[Entrance Conference](#)] and [[Entrance Conference Powerpoint](#)]. The following people attended the official entrance conference, held in accordance with Audit Policy 2210:

- Lisa Carrell, AAM
- Jay Personius, Port Manager
- Commissioner Martin

In addition to the topics shown on the entrance conference handout, no other topics were discussed.

We also sent copies of the entrance conference handout to Jay to share with the Board.

C.1.PRG - Payroll Disbursements

Procedure Step: Controls over Payroll

Prepared By: BTV, 5/25/2021

Reviewed By: LJC, 5/28/2021

Purpose/Conclusion.

Purpose:

To determine whether payroll controls are adequate to safeguard public resources.

Conclusion:

We determined payroll controls are adequate to safeguard public resources. *No issues noted.*

Testing Strategy.

Refer to the Policy/Criteria tab for the primary control objectives and typical controls over 1) Wages and Salaries, 2) Employee Benefits, and 3) Compensated Absences (Leave). This information should be reviewed prior to performing the payroll internal control work.

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To determine whether payroll controls are adequate, **consider** the following procedures based on inquiry, observation, and review of employment agreements and written policies and procedures:

Controls over Wages & Salaries

- Review written payroll policies regarding wages and salaries. Among other items, we would expect these policies to establish: pay dates and any mid-month draw or payroll advance options; salary/wage amounts and increase methods; award, incentive, merit, or bonus programs; payroll disbursement methods (mid month draws, direct deposits, etc); and required authorization, approval, and reviews.
- Gain an understanding of internal controls over wages and salaries and document key controls and weaknesses. Consider the following questions:
 - When a new employee is hired, how are they set up in the system?
 - Who is able to set up new employees or change employee information?
 - How do you ensure that payroll and personnel functions are segregated? If not segregated, what monitoring procedures are in place to ensure that personnel and payroll information is valid?
 - How does the entity ensure that wages and salaries are charged to the correct timecode?
 - Who enters monthly pay-period data (hours by account code)? How do you ensure accurate data-entry?
 - How are errors corrected? How are corrections or changes made to the system?
 - Can changes be made to payee or amount fields after payroll warrants/checks are issued?
 - Who has access to make changes?
 - Who is responsible for making corrections/changes?
 - Who authorizes corrections/changes? How is monthly pay-period data supported (ie: timesheets)?
 - How is overtime documented and approved?
 - How are timesheets or other documents approved? Are there employees that don't have to complete timesheets?
 - Is direct deposit available for employees? If so, how does it work?
 - How are W-2 / W-3 forms created?
 - Is payroll paid from a separate zero-balance account? If so, who reconciles this account?

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- Who do employees complain to when they note errors?
- Does the entity have any award, incentive, merit, or bonus programs?
 - Are these established by entity policy/resolution?
 - Per the policy/resolution, are performance standards/goals clearly defined and measurable, and do these goals exceed normal employee performance requirements?

Controls over Employee Benefits

- Review written payroll policies regarding benefits (other than compensated absences). Among other items, we would expect these policies to establish: eligibility for benefits, types of benefits allowed and how much the entity will pay for the benefits.
- Gain an understanding of internal controls over benefits and document key controls and weaknesses. Consider the following questions:
 - How does the entity ensure that benefits are only paid to eligible employees?
 - Who handles benefit payments?
 - Are benefit payments ever reconciled to employee deductions and expected employer contributions per the payroll module?
 - Are payment details or confirmations reviewed by an independent person to ensure the remittance does not include any non-employees or incorrect amounts?
 - Who do employees complain to when they note errors?
 - How are errors corrected?

Controls over Compensated Absences (Leave)

Compensated absences includes accruals and usage of sick, vacation, comp, exchange time or other paid time in lieu of time actually worked. Compensated absences are considered a benefit.

- Review written payroll policies regarding compensated absences. Among other items, we would expect these policies to establish: leave accrual methods, rates, and types; any leave accrual balance limits; leave donation procedures, if any; leave buyout procedures, if any; and procedures, approval and documentation for using accrued leave.
- Gain an understanding of internal controls over compensated absences and identify key controls and weaknesses. Consider the following questions:

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- How are leave balances tracked? Is the same tracking system used for all employees and all types of leave?
- How does the entity ensure that accruals or additions to leave balances are accurate?
- How does the entity ensure any leave balances limits are not exceeded?
- How does the entity ensure all leave usage is approved, documented and subtracted from the balance? Is the same tracking system used for all employees (including managers and executive staff) and all types of leave?
- Who do employees complain to when they note errors?
- How are errors corrected?

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Wages & Salaries

Primary control objectives for wages and salaries are as follows:

- *Employee information (salary/wage, default fund allocations, tax info, and deductions) used to calculate and record payroll is valid, accurate and in accordance with entity policy.*
- *Pay-period information (timesheets, actual fund allocations, leave records, etc) used to calculate and record payroll is valid, accurate and in accordance with entity policy.*
- *Award, incentive, merit, or bonus programs are established by policy/resolution and are in accordance with state law.*

Typical controls over wages and salaries are as follows:

- *Employee personnel files are created for each employee before they are allowed to start work. A checklist is used to ensure all required forms and information is included in the file.*
- *Employment contract/notification document (which describes the position, wage, and benefit information) is signed by both the employee and entity, and is included in the personnel file.*
- *Personnel clerk enters employee information into the payroll module from source documents included in the personnel file. Any changes must be supported by a signed document or official notification and can only be entered into the system by the personnel clerk.*
- *Segregation of duties exists between personnel (employee information) and payroll (pay-period information) functions. Software permissions can enforce this segregation.*

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Note: an appropriate segregation of duties should ensure that no individual can both create an employee and pay them. Failure to segregate duties increases the risks of ghost employees, unauthorized pay changes, and/or continuing pay for a terminated employee.

- *Timesheets (which include hours worked by fund or project and any leave taken) are completed by employees. Timesheets are certified by employees and supervisors, and indicate hours worked (by account code/activity) and leave used. Supervisor timesheets are signed by other managers such that no employee approves their own timesheet.*
- *The entity retains documentation justifying and approving all overtime/comp time recorded and paid*
- *Software or payroll clerks ensure that timesheets are completed and approved.*
- *Software includes pre-formatted screens and edit checks to help ensure accuracy of input (whether by payroll clerks from printed timesheets or by employees in electronic timesheets).*
- *Software automatically calculates payroll based on employee and pay-period information.*
- *Exception reports are generated and reviewed by an independent person to identify potential problems with employee or period data.*
- *The payroll module automatically posts to the general ledger or is reconciled to the general ledger.*
- *Payroll is paid from a zero balance account that is reconciled each month by an independent person.*
- *Department heads receive monthly reports that detail costs charged to their department.*

Employee Benefits

Primary control objective for employee benefits is as follows:

- *Benefit payments are supported by adequate documentation.*
- *Benefits are only provided to eligible employees in accordance with entity policy.*
- *Benefits are charged to the correct fund and account.*

Typical controls over employee benefits are as follows:

- *Benefit information is based on source documents included in the personnel file. Any changes must be supported by signed documents that are included in the personnel file.*
- *Software automatically calculates eligibility for benefits based on employee and pay-period information.*
- *To the extent that payroll software supports this function, benefits are only paid out of the payroll module (rather than accrued by the payroll module and subsequently paid through the AP system, which could introduce discrepancies between accrued and paid amounts if the accrual account is not independently reconciled).*
- *Remittances or confirmations are reviewed by an independent person to ensure the remittance does not include any non-employees or incorrect amounts.*
- *The payroll module automatically posts benefit expenditures in same proportion as wage and salary expenditures for the employee.*
- *The payroll module automatically posts to the general ledger.*

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Compensated Absences (Leave)

Primary control objectives for payroll systems are as follows:

- *Accruals of leave hours are applied in accordance with entity policy.*
- *Leave buy-outs are accurately calculated in accordance with entity policy.*
- *All leave usage, donations and buy-outs are properly documented and deducted from the accrued balance in accordance with entity policy.*
- *Employees are not paid for leave in excess of accrued balances (which would be a prohibited gift of public funds).*

Typical controls over compensated absences are as follows:

- *Regular leave accruals are applied by software based on employee information entered by personnel. See above for typical segregation of duties between personnel and payroll functions.*
- *Leave usage is documented on signed timesheets or leave slips which are also approved or reviewed by the employee's supervisor.*
- *Leave accrual balances are tracked in the payroll module software.*
- *Software checks disallow accrual of leave beyond the set maximum or usage of leave that brings the balance below 0.*
- *A report of all manual adjustments to leave balances is reviewed each month by an independent person.*
- *Exception reports are generated and reviewed by an independent person to identify potential leave accrual, usage or balance issues.*
- *Leave balances are reported to employees each month on paystubs.*

Record of Work Done.*

Since this is a 4 year audit, and controls had not been reviewed since the prior audit, we updated our understanding of controls at [Payroll]. *No issues noted.*

C.1.PRG - Payroll Disbursements

Procedure Step: Bonus & Incentive Payments

Prepared By: DJK, 1/11/2022

Reviewed By: LJC, 4/12/2022

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Purpose/Conclusion.*

Purpose:

To determine whether bonus or incentive payments are allowable.

Conclusion:

We determined that many of the bonus and incentive payments were not allowable or supported. See issue at: Payroll - Temporary & Hazard Pay.

Testing Strategy.*

To determine whether bonus or incentive payments are allowable, **consider** the following procedures:

Hiring Bonuses

Identifying Hiring Bonuses - Inquire as to whether they paid hiring bonuses or extra one-time payments; consider confirming your understanding by reviewing payroll trends (or detailed pay by type) for new employees since the beginning of the audit period.

Legal Analysis – Cities and Counties are determined to have the authority to pay hiring bonuses (under certain circumstances). However, special districts may not possess the statutory authority to offer these incentives and should conduct their own legal analysis prior to setting up these programs.

Policy Review - If bonuses were paid, inquire as to whether the entity has written policies for administering hiring bonuses. Review the policy to gain an understanding of the bonus program and its requirements. Determine if the policy:

- Was formally approved by the governing body
- Includes explanation and justification for the hiring bonuses; such as the reasons why the entity adopted the policy, the reasons the bonuses are necessary for hiring, the challenges the hiring bonuses are meant to address
- Defines how the amount of the bonus will be determined
- Establishes the criteria used to determine who is eligible for the bonus, what employees are required to do to receive the bonus, and how the district will evaluate whether the required conditions have been met
- Was clearly established **before** the entity actually awarded any hiring bonuses

A hiring bonus must be for something extra. For example, a law enforcement agency may offer a hiring bonus to potential employees who have already completed the law enforcement academy. This benefits the entity in hiring an officer that has completed this training and the entity does not have to pay to send that individual to the academy. Another example of an acceptable hiring bonus is one structured so that the entity is receiving the employee's services for a guaranteed period of time and the individual receives parts of the

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hiring bonus at the end of each year. Offering a hiring bonus due to a competitive market without any additional merits or benefits to the entity would be considered extra compensation, a gifting of public funds.

Review Selected Hiring Bonus Payments - Perform testing of any hiring bonuses paid to ensure:

1. Any amounts paid were properly approved.
2. Bonuses were paid only after the policy was in place.
3. Documentation supports that the hiring bonus was part of a negotiation with the prospective employee, and the amount is tied to some form of consideration due from the individual or benefit to the entity, and not an after-the-fact-payment.
4. The individual was eligible to receive the bonus paid.
5. The amount is calculated correctly and consistent with the policy.
6. Any other policy requirements were met.

Incentive Payments/Performance Based Bonuses

Identifying Bonuses - Identify bonus or incentive payments through inquiry, review of the entity's incentive program and related policies, review of payroll transactions or other tests.

Legal Analysis – Cities and Counties are determined to have the authority to establish employee awards as per a 1995 Attorney General Opinion. This legal opinion did not address special purpose districts, who should conduct their own legal analysis prior to setting up these programs.

Policy Review - Review the entity's policies related to bonus or incentive payments to determine whether the policies support the bonus or incentive payment programs. Also, ensure they provide for the following compliance requirements:

- Bonus or incentive payments may only be made for identified performance goals.
- Goals must relate to job performance that are above and beyond the normal job expectation for that position. Performance goals should exceed normal employment requirements typically outlined in a job description.
- *For State Agencies:* incentive payments are only available for non-represented employees (General Government, Washington Management Service, and Exempt Management Service).
- *For State Agencies:* the agency's performance plan was approved by the Department of Personnel.

Review Selected Bonus Payments - Review selected bonus or incentive payments for the following:

1. Payment was made pursuant to an established entity policy and in accordance with policy requirements.
The policy must have existed prior to the period to which the compensation applied.

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2. Payment was made for achievement of identified performance goals that are (1) in excess of normal employee responsibilities or requirements for that position and (2) were communicated to the employee and documented prior to when the performance period begins. *Retroactive payments (such as those implemented at the end of the year that apply to the full year) are usually not allowable, unless negotiations started prior to the applicable period such that affected staff had a reasonable expectation of the payment.*

Performance goals are specific to an individual's performance and how he or she will contribute and exceed normal job expectations. This does not preclude entity-wide goals, but governments need to document how each employee who might qualify for an incentive award will contribute to the goal and exceed normal job expectations.

3. Performance goals are clearly defined and measurable. There should be an established measurable outcome or outcomes upon which to evaluate whether the employee attained the goal. For example, if the goal is exemplary customer service, this might be measured with client satisfaction survey results.

4. Achievement of performance goals was evaluated and confirmed prior to the incentive payment.

5. Actual payments match the policy or documented agreement at the beginning of the performance period.

6. Incentive payments are reasonable and do not otherwise represent potential abuse.

A red flag for potential abuse is when incentive payments exceed 60% of the employee's annual salary. In such cases, auditors should discuss these situations with their manager to determine proper reporting.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Although cities, towns, and counties are allowed to have employee incentive programs, pay reimbursement for actual moving costs and pay hiring bonuses (in certain particular circumstances), special districts may not possess the statutory authority to offer these incentives. The general rule is that municipal corporations are limited to those powers expressly granted to them by the Legislature and to powers necessarily or fairly implied in or incident to the powers expressly granted.

The State Constitution, Article II, section 25 prohibits public entities from granting extra compensation after services have been rendered. Moreover, Article VIII, section 7 of the state constitution prohibits municipal corporations from making a gift of public funds. In order to avoid the prohibition on "gifting of public funds," payments must be considered compensation for services (that is, payments must be reasonable and be for services in excess of what employees are already being paid for). In order to avoid the prohibition on "extra compensation," a policy or agreement defining the potential payment must be in place **before** services are rendered. We would expect the policy or agreement to clearly define objective and measureable performance standards or goals for which the awards are to be given and justify (as necessary) that these goals cannot be set for work expected to be normally performed within the job.

AGO [1995, No. 13](#) Cities and Towns-Municipal Corporations-Public Employees-Compensation-Authority of Cities and Towns to

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Establish Employee Incentive Programs - gives general guidelines for employee incentive programs

External HelpDesk Request 90403 - response developed in association with AAG, Director of Legal Affairs, Audit Management, PUD SMEs & PM, closed 1/11/21

LOCAL GOVT AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area at local governments.

State Constitution, Article II, Section 25 Extra Compensation Prohibited - prohibits extra compensation to employees

State Constitution, Article VIII, Section 7 Credit Not to be Loaned - prohibits making a gift of public funds

STATE AGENCY AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area at state agencies.

State Constitution, Article II, Section 25 Extra Compensation Prohibited - prohibits extra compensation to employees

State Constitution, Article VIII, Section 7 Credit Not to be Loaned - prohibits making a gift of public funds

RCW 41.60.150 Recognition Awards - defines state agency authority for incentive and award programs

WAC 357-37-055 - requires state agencies to receive confirmation from the Department of Personnel for incentive and award programs

WAC 357-28 Compensation - describes requirements applicable to classified state employees (Washington General Service, or WGS) which do not meet the definition of manager found in RCW 41.06.022

WAC 357-58 Washington Management Service - describes requirements applicable to classified, managerial state employees (Washington Management Service, or WMS), except for employees that are exempt from civil service and manager positions or managerial employees of institutions of higher education

Record of Work Done.:

Risks Identified During Planning

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- **Temporary Pay:** Understanding Entity & Environment - Additional Compensation/Bonuses/Extra Pay/Incentive Programs: Required Risk to Assess ~ Ports often offer incentives or other types of extra pay compensation to staff. Due to laws prohibiting many types of additional pay auditors should be aware in planning of pay increases or one time disbursements that may indicate an unallowable payment. Per discussion with Jay Personius, Port Manager, the Port does not have any programs like this. However, after calling the citizen hotline and further follow up, we determined employees were paid an additional amount of money in 2019. There is a risk this may not have been allowable.
- **Temporary Pay:** Other Engagements & FAWF - Citizen Hotline - Payroll (Temporary Pay Assignments): Per the citizen, employees received payments similar to bonuses in 2019 and the citizen wasn't sure if this was allowable, so they wanted to bring it to our attention. Jay Personius, General Manager, stated this was due to a transition of employees at the Port where different employees were temporarily taking on work that is not normally a part of their job. Jay also stated the Commission passed a resolution for this additional pay at the request of the Pacific County Treasurer's Office to evidence their approval. There is a risk these payments may not have been allowable.
- **Temporary Pay:** Planning AP - Fluctuation in Salaries & Wages line: Through our payroll analytical, we determined the key cause was 2019 Temporary Pay Assignment. There was a total of \$23,000 given to different employees. There is a risk the 2019 Temporary Pay Assignments were not allowable.
- **Temporary Pay:** Planning AP - Temporary Assignment Pay (2019): All 5 Port Employee's in 2019 received Temporary Assignment pay between \$3,000 to \$6,000 per employee, and totaling at \$23,000. It is unclear how this amount was determined for this employee. In addition, a citizen had a concern submitted through a hotline related to the allowability of this assignment pay. There is a risk this assignment pay may not be allowable, properly approved, and/or paid in the approved amount.
- **Temporary Pay:** Risk Assessment Inquiry - Payroll (Bonuses/Pay Adjustments): In 2019, the Port was in a situation where they didn't quite need another employee, but had additional work to complete. This was due to one employee being gone because of medical related items. Due to this situation, all the employees stepped up to help with different additional tasks outside of their normal work. Phil stated he didn't consider this as a bonus, but as an adjustment for additional items they had done on an hourly basis. We noted in our payroll trend, all employees were paid this additional amount in increments of \$1,000. Therefore, it doesn't appear that the amount they were paid was calculated on an hourly basis. In addition, it is unclear if this was allowable.
- **COVID-19 Hazard Pay:** Planning AP - Payroll - COVID-19 Hazard Pay (2020): In 2020, all employees received hazard pay. Per our discussion with Jay Personius, Executive Director, if the employees used COVID leave, their hazard pay would be reduced accordingly. We noted Cynthia (Cindy) Bade used COVID leave and was paid the full COVID-19 Hazard pay amount. Joe Lund used COVID leave and had his COVID-19 Hazard pay amount reduced. There is a risk the COVID-19 Hazard Pay was not properly approved and that it is not being applied properly.
- **Commissioner's Backpay:** Minutes: Commissioner's back pay claims settlement - Jay Personius, Executive Director and Cindy Bade, Financial Auditor, will do an audit of Commissioner's pay due to Operating Revenues were over \$1 million as of 2014. Commissioners authorized Jay to settle Commissioner back pay claims based on true accounting of those monies owed, not to exceed \$12k per individual. Per discussion with Jay, the previous Commission didn't realize they were not allowed to change the pay for a sitting

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Commission. The Commissioners were trying to reduce their pay, but since it wasn't allowable, the Port's attorney recommended they pay what was properly approved prior to the change to avoid legal liability. There is a risk the pay adjustments were not properly calculated.

Planned Audit Procedures

- **Temporary Pay:** We will research whether the temporary pay assignment pay was allowable, and if the Port properly authorized this additional pay. We will also look at the amount paid to each employee for temporary pay assignments and ensure it agrees with the approved amounts or rates.
- **COVID-19 Hazard Pay:** We will review documentation for the hazard pay to ensure it is approved, and what the specific rules are for reducing hazard pay, such as using COVID leave. In addition, since both Cindy Bade and Joe Lund used COVID leave, we will verify their hazard pay was properly reduced by the correct amount.
- **Commissioner's Backpay:** We will obtain support for the repayments and verify that they were properly calculated.

Auditor Procedures

Temporary Pay Assignments

We inquired with Jay Personius, Port Manager, who explained that the Port was expanding operations and were unsure how this would impact their need for new staff. Instead of hiring right away, the Port decided to have current employees perform duties outside of their normal duties. As such, the Port Commissioners approved out of class pay for temporary assignment duties for all full time employees, not to exceed \$4.00/hr per employee, on January 14, 2019. Jay noted that the Board gave him the authority to determine amount of each temporary pay increase based upon their judgement of amount of time spent performing duties out of workers class.

We were unable to obtain documentation or information about how much employees would make, for how long, and what duties they were taking on for these temporary pay assignments. Therefore this pay of \$23,000 is not supported. See issue at: [Payroll - Temporary & Hazard Pay](#).

COVID-19 Hazard Pay

We inquired with Jay Personius, Port Manager, who explained that the Port was in a tough situation when the pandemic began because employees were tempted to go on unemployment and potentially earn more than they were when working. As a way to keep operations going and keep essential workers on the job to provide essential services to food producers (shellfish aquaculture business, crabbers, and fishing businesses), the Port Commissioners approved a \$200/week hazard pay for each full time employee during their June 8, 2020 meeting. We reviewed the meeting minutes for 6/8/20 and confirmed that this was approved. Jay stated that the hazard pay was to be enforced throughout the entirety of the declaration of emergency, including retroactive pay to the beginning of the state of emergency. However, we did not note reference to the retroactive pay in the meeting minutes, nor are retroactive payments normally allowable. The Port Commissioners declared the state of emergency in their March 9, 2020 meeting which granted the Port Executive Director legal authority to use emergency powers when necessary due to COVID national and state declarations of emergency. We reviewed the meeting minutes for 3/9/20 and confirmed that this declaration took place on this day. However, because the hazard pay was not established until 6/8/20, we will take issue to the back payment of

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this hazard pay. See ([Payroll - Temporary & Hazard Pay](#)).

We inquired about hazard pay reductions for employees and Jay explained that he misspoke earlier on in the audit and the only individual who had this pay temporarily removed was Joe Lund, who had to be out on leave due to a knee injury and then also for a foot injury, both of which were sustained off-duty. We asked Jay about paying hazard pay to individuals who were off work due to quarantining. Jay stated that the Port didn't feel that it was fair to penalize workers who were forced to be off to quarantine from the very hazard that the hazard pay was intended to compensate for.

We requested a report for the employees who had received this pay through current. See ([Payroll Report - showing Hazard Pay](#)). We attempted to determine how these amounts were paid by week. See ([Auditor Calculated COVID Hazard Pay](#)). We noted several issues with our testing including paying retroactive hazard pay to employees that is not allowable (totaling \$13,000), not paying an employee for hazard pay while in quarantine as the Board intended, and total pay not matching up to Port reports. See issue at: [Payroll - Temporary & Hazard Pay](#).

Commissioner's Backpay

We inquired with Jay Personius, Port Manager, who explained that a settlement for commissioner back pay was approved by the Port Commissioners on January 14, 2019. The agreement was to pay settlements, not to exceed actual amounts of arrearage, to all port commissioners past and present going back to 2014. We confirmed that this approval was done in the minutes on 1/14/2019. We also inquired as to the timing of these errors. We learned that as of fiscal year 2015, the Port should have recognized that RCW 53.12.260 required the payment of salaries to their port commissioners. The rates set forth in this RCW are also updated every 5 years by OFM. The Port realized this error in 2018 and started paying commissioners the appropriate salaries as of July 2018. Further, the Port realized that they had been paying commissioners an amount in lieu of a VEBA agreement. This was something that they had adjusted during their current terms and needed to be backed out. Jay provided us with the calculations that the Port created to make the correcting payments. See ([Port's Calculated Commissioner Backpay](#)). To confirm the accuracy of these back payments, we selected the three commissioners with the highest backpay amounts and performed recalculations and tied amounts to original timesheets to verify that the recalculations were accurate. See ([Auditor Calculated Commissioner Backpay](#)). *No issues noted.*

C.2.PR.G - Procurement - Public Works Projects

Procedure Step: Bidding for Public Works

Prepared By: DJK, 10/4/2021

Reviewed By: LJC, 4/12/2022

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Purpose/Conclusion.

Purpose:

To determine compliance with competitive bidding requirements for selected public works projects.

Conclusion:

We were unable to determine if the Port was in compliance with bidding requirements. We were unable to obtain the following documentation:

- Procurement Policy
- Contracts for 2 projects

Therefore we were unable to determine if the Port followed required Small Works Rosters procedures, prevailing wage requirements, and if one project was awarded to the lowest responsible bidder.

See issues at: Procurement - Public Works

Testing Strategy.

To determine compliance with competitive bidding statutes required for public works projects, **consider** the following procedures:

Identify and Understand Requirements

Allowable procedures and competitive bidding thresholds vary by entity and are affected when small works rosters are adopted. Auditors should review the Bid Law guide if they are not already familiar with competitive bidding requirements specific to the entity under audit.

Auditors should also consider reviewing the entity's procurement policies, which may be more strict or specific than state law. We would expect the entity to follow whichever requirements are the most strict, whether it be federal, local or their own policies.

Select Projects for Testing

Considerations for determining the population of projects from which to select are as follows:

- Review of minutes (approved or discussed projects)
- Lists of capital projects or construction in process prepared by the entity
- Scan or testing of vendor payments to identify payments for public works projects
- L&I website <https://secure.lni.wa.gov/wagelookup/searchforms.aspx>

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- L&I 'Prevailing Wage Intent & Affidavit (PWIA) Portal - (search projects by awarding agency to identify project awarded). See L&I PWIA [Portal User Access Guide](#) for information on how to gain access and for instructions on use (also available directly from Hub | Audit | Auditor Reference Guide | Procurement Resources)

Considerations in determining which specific projects to select for testing are as follows:

- Projects with known or likely issues (operational or compliance) from inquiry, newspaper articles, minutes or L&I PWIA portal
- Projects with similar characteristics to past audit exceptions
- Projects that span more than one year (bid splitting)
- Projects that significantly exceed original bid amounts
- Projects that have a significant number or dollar amount of change orders
- Projects with costs over the bid threshold, but not mentioned in the minutes
- Very large or high-profile projects
- Projects for which the governing body has waived bid law

Compliance Testing of Selected Projects

The following is a list of compliance requirements for public works projects, by allowable public works process. **The scope of project testing should be modified to fit risk indicators and specific testing objectives.** We would expect adequate documentation to evidence compliance would be retained by the entity in organized project files.

All public works projects must be awarded to the lowest responsible bidder. *Except*, under RCW 35.23.252, second class cities may accept the 2nd lowest bid for projects meeting criteria under RCW 39.04.350 provided they can demonstrate the following:

- The City issued a written finding that the lowest bidder delivered a project to the City in the last three years which was late, over budget, or did not meet specifications
- The City does not find in writing the bidder has shown how they plan to improve performance to meet project specifications

Formal Sealed Bidding

Projects submitted through the formal sealed bidding should be reviewed to ensure compliance with the following requirements:

1. Invitations to bid were properly advertised (typically evidenced by an affidavit of publication) at least once in the local paper, typically at least 13 days prior to bid acceptance deadline (refer to entity specific statutes)
2. Bids open at a set time and place
3. Bidders provided all required documentation with their bid, including bid bonds (5% of bid amount)

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4. The lowest responsible bid was accepted (see *Lowest Responsible Bidder* guidance published by the Center)
5. Entity has complied with prevailing wage requirements (see the *Prevailing Wage Requirements* step available in the SAO Store)
6. Contractor was paid in compliance with the contract
7. Entity has complied with retainage requirements, which include: release from Department of Labor and Industries, Notice of Completion and release from Department of Revenue, release from the Employment Security Department and final acceptance by entity's governing body

Small Works Roster

The small works roster procedure may be used as an alternative to formal sealed bidding for public works projects up to \$300,000 (\$350,000* as of 7/28/19) if the process has been adopted by the governing body. RCW 39.04.155 outlines the steps required, and include:

1. The existence of the roster and solicitation for names must be advertised by the entity once a year in a newspaper of general circulation within the jurisdiction
2. A procedure must be established and followed for obtaining quotes
3. Documentation must be maintained to ensure quotes were appropriately obtained
 1. Quotations (telephone, written or electronic) may be invited from either all contractors on the appropriate small works roster or from at least five contractors on the appropriate small works roster.
 2. Invited quotes are to be "equitably distributed" between contractors. "Equitably distributed" means that the agency may not favor certain contractors over others.
 3. If the entity chooses to solicit quotes from less than all contractors on the list and the estimated cost of the work is from \$150,000 to \$300,000 (\$350,000* as of 7/28/19), they must also notify the remaining contractors on the appropriate small works roster that quotations on the work are being sought. This notification can be made by:
 - i. Publishing notice in the general circulation newspaper
 - ii. Mailing a notice to the contractors
 - iii. Sending a notice to the contractors by fax or other electronic means (such as e-mail)
4. The lowest responsible bid was accepted (see *Lowest Responsible Bidder* guidance published by the Center)
5. Entity has complied with prevailing wage requirements (see the *Prevailing Wage Requirements* step available in the SAO Store)
6. Contractor was paid in compliance with the contract

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7. Entity has complied with retainage requirements, which include: release from Department of Labor and Industries, Notice of Completion and release from Department of Revenue, release from the Employment Security Department and final acceptance by entity's governing body.

Note: A local government may waive the retainage requirements of Chapter 60.28 RCW, but the entity assumes liability for the contractor's nonpayment of laborers, mechanics, subcontractors, suppliers, and taxes. However, the local government has the right of recovery against the contractor for any payments made on the contractor's behalf

8. Make available a list at least once a year identifying all contracts awarded through the small works roster that includes contractor/vendor name, amount of contract, brief description of the work, the date the project was awarded, and where the bid quotations may be obtained for public inspection (RCW 39.04.200)

Port districts and irrigation districts are only allowed to use the small works roster procedure for projects under \$300,000

Limited Public Works Process

This procedure is also an alternative to the small works roster if the process has been adopted by the governing body. RCW 39.04.155(3) outlines the required steps for projects with a cost of less than \$35,000 (\$50,000 as of 7/28/19).

1. A minimum of three quotes must be obtained from the small works roster
2. The lowest responsible bid was accepted (see *Lowest Responsible Bidder* guidance published by the Center)
3. A list must be maintained of the contractors contacted and the contracts awarded during the previous twenty-four months under the limited public works process, including contractor name, registration number, amount of the contract, description work performed, and date contract was awarded
4. May waive payment bond, performance bond, and retainage requirements. If these requirements were not waived, we would expect compliance with bonding and retainage requirements.

Note: Regardless of which process is used, the entity must ensure that the Contractor has complied with prevailing wage requirements by paying workers at least the hourly prevailing wage rate (evidenced by the affidavit of wages paid per RCW 39.12.040)

UNIT PRICED CONTRACTS

Compliance Testing of Selected Projects

The following is a list of compliance requirements for unit-priced contracts. **The scope of project testing should be modified to fit risk**

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indicators and specific testing objectives. We would expect adequate documentation to evidence compliance would be retained by the entity in organized project files. Unit-priced contracts should be reviewed to ensure compliance with the following requirements:

1. Invitations to bid were properly advertised (typically evidenced by an affidavit of publication) at least once in the local paper, typically at least 13 days prior to bid acceptance deadline (refer to entity specific statutes)
2. Invitations to bid included the following required information: Estimated quantities of the anticipated types of work or trades, specify how the local government will issue or release work assignments, work orders or task authorizations based on the hourly rates or unit prices bid by the contractor, information stating the contract must be awarded to the lowest responsible bidder.
3. The lowest responsible bid was accepted (see *Lowest Responsible Bidder* guidance available from the Center in the Policy/Standards tab)
4. Initial contract terms do not exceed three years, with the option to extend or renew the contract for one additional year (Counties and Water Sewer Districts initial term cannot exceed one year with the option to extend or renew the contract for one additional year).
5. Entity complied with prevailing wage requirements
 1. The wages for all work performed by work order must be the prevailing wage rates in effect at the beginning date for each contract year
 2. Prevailing wage rates must be updated annually
 3. Intents and affidavits must be submitted annually for all work completed within the previous 12 month period.
6. Entity has complied with retainage requirements, which include: release from Department of Labor and Industries, Notice of Completion and release from Department of Revenue, release from the Employment Security Department and final acceptance by entity's governing body. Retainage cannot be released until the completion of the contract.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Bidding and Procurement Area Guide

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

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RCW [39.04](#) Public Works – complete chapter on public works procurement laws

Record of Work Done:

Risks Identified During Planning

- Minutes: Bids came in for a Haul Out Bidding in the amounts of \$126K and \$101K. There was a \$23K upgrade for hot-dipped galvanizing that the Commission approved. There is a risk this was not properly procured.
- Planning AP: We have not reviewed a public works project since prior to the 2007-2010 audit. There is a risk bid law is not being followed.
- Planning AP: The Port had emergency sinkhole remediation in their boatyard. There is a risk this was not properly procured.
- Planning AP: The Port had sinkhole remediation completed, the boatyard resurfaced, and the Morehead industrial yard resurfaced. There is a risk the Port did not follow proper procurement procedures.
- Planning AP: Between 2017 and 2020, the Port spent \$561,884 with the vendor Hill & Son, with \$420,297.20 being from 2017-2018. Per the Port, this was for prep and rock for Morehead Industrial, for the sinkhole, and for haul out facility prep and rock. While it is unclear if those were multiple projects or part of the same project, due to the dollar amount, there is a risk the Port did not properly procure this vendor for a public works project.
- Risk Assessment Inquiry: Shoreline master plan update – meant they needed to do something about the storm water runoff from their lot, so they had to spend around \$130,000 to put in a trench system to guarantee the water would go back in and recharge the aquifer instead of having a chance of going into the bay. Hired an engineer, the engineer made some recommendations, they went through the procurement process (small works roster). There is a risk proper procurement procedures were not followed.

Planned Audit Procedures

We selected Procurement - Public Works for audit. We will judgementally select some of the public works projects, and follow up by using the testing strategy to ensure they were properly procured.

Auditor Procedures

Identify and Understand Requirements

We noted that allowable procedures and competitive bidding thresholds vary by entity and are affected when small works rosters are adopted. We reviewed the Bid Law guide to familiarize ourselves with competitive bidding requirements for Ports. We noted that for Public Works projects Ports had a \$0 bid threshold until 6/7/2018 when the threshold went up to \$40,000. We also noted a small works roster threshold of \$300,000, which was increased to \$350,000 as of 7/28/2019. These are in accordance with RCW 53.08.120.

We were unable to obtain a policy for the Port related to Procurement. See recommendation at: [Procurement - Public Works](#).

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In regards to using the small works roster, Jay provided us with evidence (affidavits) of this having been advertised in their local newspaper in each of the years under audit (2017-2020).

In addition, the Port was able to provide us with the Small Works Roster for each of the 3 years under audit.

We also obtained the procedure that must be established and followed for obtaining quotes at (Small Works Roster Procedures), which allows for the Port to bypass formal sealed bidding for projects up to \$300,000.

Select Projects for Testing

We inquired about the projects identified during planning and learned that the Haul Out project did not actually get done due to logistics. We selected all other projects identified during planning for audit. We also inquired with Jay about any other large projects completed during our audit period and noted that the Port also completed a Morehead Industrial Yard project that included about \$106K in amounts paid to Hill & Sons. We will select this for audit as well.

Compliance Testing of Selected Projects

Sinkhole Remediation

Jay Personius, Port Manager, explained that sinkholes were observed after record rains and began to spread throughout their lot, affecting the safety of individuals, property, environment and local economy. Sinkholes were initially treated with gravel infill by staff, but as severity and number of holes increased, they declared that the emergency situation warranted waiver of the small works process to expeditiously deal with threat posed by sinkhole system. We obtained Resolution 08-378 at (Resolution to Allow for Emergency Declarations) that explained that the Port established a policy to give the Port Director the authority to authorize emergencies pursuant to RCW 39.04.280. We noted in the RCW that if the governing body elects to waive competitive bidding requirements by the terms of written policies adopted by the municipality, immediately after the award of any contract, the contract and the factual basis for the exception must be recorded and open to public inspection. We inquired with Jay about this recording of the exception and noted that the emergency was discussed by the Board and noted in the minutes on 4/23/2018.

We also obtained the support for the payments for this project as follows:

Vendor	Warrant #	Warrant Date	Invoice #	Invoice Date	Amount
Hill & Sons Excavating Inc.	16523	4/27/2018	000252	4/27/2018	\$ 15,200.00
Hill & Sons Excavating Inc.	16546	5/4/2018	000255	5/3/2018	\$ 6,075.00
Hill & Sons Excavating Inc.	16554	5/4/2018	000254	5/1/2018	\$ 15,120.00
Hill & Sons Excavating Inc.	16554	5/11/2018	000257	5/10/2018	\$ 15,120.00
Hill & Sons Excavating Inc.	16564	5/7/2018	000256	5/7/2018	\$ 25,380.00
Hill & Sons Excavating Inc.	16569	5/18/2018	000258	5/15/2018	\$ 27,000.00
Hill & Sons Excavating Inc.	16574	5/25/2018	000259	5/23/2018	\$ 21,060.00

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Hill & Sons Excavating Inc.	16597	6/8/2018	000266	6/8/2018	\$ 38,000.00
Hill & Sons Excavating Inc.	16616	6/11/2018	000268	6/11/2018	\$ 28,177.00
				Total:	\$ 191,132.00

The Port waived retainage requirements for this project as assumption of liability for payment of prevailing wages, payment of taxes are assumed by the Port under RCW 39.04.155.

We were unable to verify the following that a contract was in place and if the Port properly collected intents/affidavits. See issue at: Procurement - Public Works

Trench System / French Drain (The Port referred to this project as "French Drain," but during planning, we called this, "Trench System.") Jay Personius, Port Manager, explained that this project was done through their small works roster.

1. Jay provided us with evidence (affidavits) of this having been advertised in their local newspaper in each of the years under audit (2017-2020). **No issues noted.**

2. We obtained the procedure that must be established and followed for obtaining quotes at (Small Works Roster Procedures). **No issues noted.**

3, 4. Due to lack of documentation, we were unable to determine if the Port ensured quotes were appropriately obtained and if the lowest responsible bid was accepted. See issue at: Procurement - Public Works

5. The Port did not provide intents/affidavits or a contract to determine if it contained prevailing wage requirements. See issue at: Procurement - Public Works

6. See payments to contractor below:

We also obtained the support for the payments for this project as follows:

Vendor	Warrant #	Warrant Date	Invoice #	Invoice Date	Amount
Hill & Sons Excavating Inc.	17470	12/24/2019	000371	12/16/2019	\$ 27,032.83
Hill & Sons Excavating Inc.	17482	1/3/2020	000370	12/13/2019	\$ 19,004.43
Hill & Sons Excavating Inc.	17508	1/16/2020	1078	1/3/2020	\$ 21,332.45
				Total:	\$ 67,369.71

7. The Port waived retainage requirements for this project as assumption of liability for payment of prevailing wages, payment of taxes are assumed by the Port under RCW 39.04.155. **No issues noted.**

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Morehead Industrial Yard

Jay Personius, Port Manager, explained that this project was done through their small works roster for unit price costing of base rock. Jay noted that using the small works roster is an acceptable method for this per RCW 53.08.120. We pulled the unit priced contracts testing strategy from the TeamStore and completed our work for this contract as follows:

1-3. The Port contacted five providers including Hill & Sons. One quarry had unacceptable rock (too soft), another had a muddy entrance that prevented shipping, one was over 50% higher in price, and one was twice as far away causing unacceptably high shipping costs. Hill and Sons had the lowest price at \$250 per load unit and had a reliable track record. **No issue noted.**

We also obtained the support for the payments for this project as follows:

Vendor	Warrant #	Warrant Date	Invoice #	Invoice Date	Amount
Hill & Sons Excavating Inc.	16187	9/18/2017	000172	9/15/2017	\$ 15,120.00
Hill & Sons Excavating Inc.	16188	9/27/2017	000176	9/22/2017	\$ 21,870.00
			fork lift	9/25/2017	\$ 102.60
Hill & Sons Excavating Inc.	16212	10/3/2017	000180	9/29/2017	\$ 13,500.00
Hill & Sons Excavating Inc.	16220	10/12/2017	00081	10/6/2017	\$ 18,900.00
Hill & Sons Excavating Inc.	16242	10/16/2017	000188	10/19/2017	\$ 19,440.00
Hill & Sons Excavating Inc.	16254	10/30/2017	000193	10/27/2017	\$ 17,820.00
			000194	10/30/2017	\$ 12,960.00
				Total:	\$ 119,712.60

4. We obtained the initial contract and noted the terms do not exceed 3 years. **No issues noted**

5. We noted the contract did contain prevailing wage requirements must be met but the Port did not provide us with intents/affidavits to determine if it contained prevailing wage requirements. We also did not see intents/affidavits of prevailing wage on the L&I website. See issue at: Procurement - Public Works

6. The Port waived retainage requirements for this project as assumption of liability for payment of prevailing wages, payment of taxes are assumed by the Port under RCW 39.04.155. **No issues noted.**

C.3.PRG - Procurement - Purchases

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Procedure Step: Bidding for Purchases

Prepared By: DJK, 1/11/2022

Reviewed By: LJC, 4/12/2022

Purpose/Conclusion.

Purpose:

To determine whether the entity is in compliance with competitive bidding requirements for selected purchases.

Conclusion:

We were unable to obtain a policy for Procurement - Purchases as required by state law. Therefore, we were unable to test for procurement for 3 out of 4 purchases selected. See issue at: [Procurement - Purchases](#).

Testing Strategy.

To determine compliance with competitive bidding statutes required for purchases, **consider** the following procedures:

Identify and Understand Requirements

Allowable procedures and competitive bidding thresholds vary by entity and are affected when vendor lists are adopted. Auditors should review the Bid Laws guide if they are not already familiar with competitive bidding requirements specific to the entity under audit.

Auditors should also consider reviewing the entity's procurement policies, which may be more strict or specific than state law. We would expect the entity to follow whichever requirements are the most strict; whether it be federal, local or their own policies. In reviewing the entity's policy, ensure that sales tax is included when determining whether a purchase exceeds the entity's bid threshold. Failing to include sales tax in purchases may lead to noncompliance with competitive bidding statutes.

Exceptions are as follows:

- PUDs exclude sales tax from project code in determining whether a purchase should be bid (RCW 54.04.070(1))
- Housing authorities are the only local government that is exempt from sales and use tax
- If no sales or use tax was paid on a project, we would expect the entity to be able to cite the exclusion

NOTE: if materials, supplies, or equipment are used for a public works project, they must be bid along with the rest of the public works

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project (see the "Bidding for Public Works" step).

Select Purchases for Testing

Considerations for determining the population of purchases from which to select are as follows:

- Review of minutes (approved or discussed purchases)
- Lists of capital assets prepared by the entity, such as depreciation schedules, inventories or lists for insurance purposes.
- Scan or testing of vendor payments to identify large payments, or payments for single items with split payments or split between departments/funds

Considerations in determining which specific purchases to select for testing are as follows:

- Purchases with known or likely issues from inquiry, newspaper articles or minutes
- Purchases with similar characteristics to past audit exceptions
- Several similar purchases under the bid threshold that span the year (bid splitting)
 - *Note: This may be reasonable in some circumstances - contact the Bid Specialist to discuss the specific scenario*
- Purchases with dollar amounts that are close to bid thresholds
- Purchases with costs over the bid threshold, but not mentioned in the minutes
- Very large or high-profile purchases
- Purchases done through "piggybacking" on another entity's bid
- Purchases made online
- Purchases for which the governing body has waived bid law requirements
- Purchases that did not go through the entity's normal procurement process.

Compliance Testing of Selected Purchases

The following is a list of compliance requirements for purchases, by allowable purchase processes. **The scope of purchase testing should be modified to fit risk indicators and specific testing objectives.** Adequate documentation to evidence compliance must be retained by the entity.

Purchase Contract Process/Vendor Listing (RCW 39.04.190) - If established by the entity, a vendor listing procedure may be used as an alternative to formal sealed bidding for purchases up to the vendor listing threshold established by entity policy (up to bid threshold amount – see Bid Law Guide for bid thresholds by entity type). Use the Purchase Contract List (Vendor List) step available in the SAOStore to evaluate purchases made by this process.

Piggybacking - "Piggybacking" refers to one entity making purchases or procuring public works from contracts awarded by other entities via an interlocal agreement or contract. Use the Piggybacking step available in the SAOStore to evaluate purchases made by this process.

Formal Sealed Bidding – Purchases submitted through the formal sealed bidding should be reviewed to ensure compliance with the following

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requirements:

- Specifications must be available to all interest parties and -if required by policy- must be approved by the governing body.
- Invitations to bid were properly advertised (typically evidenced by an affidavit of publication) at least once in the local paper, typically at least 13 days prior to bid acceptance deadline (refer to entity specific statutes)
- Bids opened and, if required by statute, ready publicly at a fixed time and place.
- Lowest responsible bid was accepted, if required by statute. See Appendix 2 for requirements.

Exceptions to Competitive Bid Requirements – for purchases where formal competitive bid requirements were waived by the governing body in open public meeting, ensure that one of the following conditions were met:

- The item(s) purchased is legitimately available only from a single source per RCW 39.04.280(1)(a)
 - Entity has documented that only a single vendor can legitimately meet the entity's needs. Note: this is not the same as brand name specification.
 - Reasonable efforts were made to ensure lowest price and/or best terms were received. For example, through negotiations with the supplier or an internet search to determine if a better price or terms for a specific product could be obtained through a different supplier.
- A public emergency exists as defined by RCW 39.04.280, and the governing body must declare the emergency no later than two weeks following the awareness of the contract.

For help analyzing control deficiencies and evaluating non-compliance related to sole source, see the [sole source decision flowchart](#) in the Procurement Resources page.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Bidding and Procurement Area Guide

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

BARS [3.4.1](#) Leases - includes bidding requirements for lease contracts

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Record of Work Done.

Risks Identified During Planning

- Minutes: Portable Dredge Bid - 24' Dredge with 6" cutter head on trailer in the amount of \$106,500 plus tax was reviewed. Approved dredge purchase. There is a risk this was not properly procured.
- Planning AP: We have not reviewed purchase procurement since prior to the 2007-2010 audit. There is a risk bid law is not being followed.
- Planning AP: The Port purchased a haul out trailer and used hauler tractor for boat haul out services. There is a risk the Port did not properly procure these items.
- Planning AP: The Port purchased a new haulout trailer, a new hauler, and a sediment dredge. There is a risk the Port did not properly procure these items.
- Planning AP: There is a risk the following purchases were not properly procured.
 - In 2017, the Port purchased a haul out trailer for around \$156k from KROPF Industrial, Inc.
 - In 2018, the Port purchased a sediment dredge for around \$118k from Geoforms International (DBA Jackson Specialties).
 - In 2017, the Port purchased a haul out tractor for around \$75k from Cascade Trader, Inc.
 - In 2018, the Port purchased around \$100k in steel pilings from James G. Murphy Co.

Planned Audit Procedures

We selected Procurement - Purchases for audit. We will judgementally select some of the purchases, and then follow up by using the testing strategy to ensure they were properly procured.

Auditor Procedures

Identify and Understand Requirements

We noted that allowable procedures and competitive bidding thresholds vary by entity and are affected when vendor lists are adopted. We reviewed the Bid Laws guide to familiarize ourselves with competitive bidding requirements specific to Ports. We noted that for purchases Ports do not have a bid threshold established in state law. Instead, we would look to the Port policy to determine any thresholds.

We requested the Port's Procurement Policies and were unable to obtain one. Therefore, we will assume the Port does not have a policy. See issue at: [Procurement - Purchases](#) .

Select Purchases for Testing

We selected all purchases identified during planning for audit. We also inquired about any other large purchases completed during our audit period and noted none.

Compliance Testing of Selected Purchases

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State law does not establish any specific bid limits processes that must be followed for Port Districts. The Port must establish bid limits and competitive processes in policy. As stated above, we did not obtain a policy for Procurement - Purchases from the Port. Therefore we were unable to test the 3 purchases listed below:

- Dredge Purchase - Geoform International, DBA Jackson Specialties
- Haul Out Trailer - Kropf Industrial Inc.
- Haul Out Tractor - Cascade Trader Inc

See issue at: Procurement - Purchases

Steel Pilings

Jay Personius, Port Manager, stated that these steel pilings were purchased at auction pursuant to RCW 39.30.045. We reviewed the RCW and determined that this was an acceptable method of procuring these items. We also obtained the invoice (#34500) from James G. Murphy Co. (murphyauction.com) dated 8/23/2018 for \$113,452.79 as well as warrant #16746 dated 8/29/2019 for the same amount. ***No issues noted.***

C.4.PRG - Concluding Accountability Audit Procedures

Procedure Step: Prior Findings - Local Govt

Prepared By: DJK, 3/29/2022

Reviewed By: LJC, 4/12/2022

Purpose/Conclusion.

*** Use this step ONLY for Local Governments ***

This step is only applicable if findings were reported in the previous accountability audit (including findings reported in the prior Summary Schedule of Prior Audit Findings that were not listed as "fully corrected" or "no longer valid")

Purpose:

To complete and evaluate the Summary Schedule of Prior Audit Findings for the audit report.

Conclusion:

The Summary Schedule of Prior Audit Findings is not applicable; there are no prior accountability audit findings for follow-up.

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Testing Strategy:

The following procedures are **required** to complete and evaluate the Summary Schedule of Prior Audit Findings for local government accountability audits, if applicable:

- Identify all prior audit findings and link to where follow-up work was documented in TeamMate. Normally, follow-up work will be a planned audit area that can be referenced. However, procedures may be documented in this step if follow-up work was not performed elsewhere or if additional procedures are needed to verify a particular assertion in the description of the status provided by the entity.
- Use the template provided in TeamMate (Audit Administration | Wrap Up) or ORCA to draft the schedule, excluding the corrective action and status sections which are prepared by the entity.
- Use the template provided in TeamMate (Audit Administration | Wrap Up) to request the auditee complete the schedule with the status and description of corrective action **on their own letterhead (preferably in Word)**.
- Review the status and description of corrective action provided by the auditee and compare it with the results of follow-up work. If information is misleading or inaccurate, request the auditee modify the information. If the auditee refuses to correct the inaccurate information, contact your Assistant Director and TAS to determine whether to report this as a finding.

*Definitions for each status are listed in Tracker and the ARS Manual Part 5, Chapter 4. When evaluating the reported status, auditors should **consider**:*

- *To what extent does the previous condition continue to exist?*
 - *What actions were taken by the government and what remedial effect (if any) did they have on the condition?*
 - *Whether the condition or recommendation is repeated in part or whole as part of the current audit. Note: prior audit findings that are not corrected or partially corrected would imply the need to re-issue the finding in the current audit.*
 - *In situations where a prior audit finding is not re-issued, there may still be issues or control deficiencies that are communicated as management letters or exit items. However, the finding-level issues would be considered fully corrected for purposes of the schedule.*
- Upload the completed schedule to the Audit Review Library along with your audit report
 - Update the Audit Status in Tracker for each prior audit finding and management letter with the verified status of the issue and the number of consecutive years it has been repeated at that reporting level.

If the Entity Reported Status has changed upon audit, auditors should encourage the client to update it by copying the description in the schedule or including an abbreviated or expanded version. However, it is not the auditor's responsibility to ensure it is updated if the client does not take this opportunity.

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Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

ARS Manual [Part 5, Chapter 4](#) - describes requirements for the Summary Schedule of Prior Audit Findings

[Tracker Quick Reference Guide](#) - provides auditor instructions about updating Tracker

Record of Work Done:

The Summary Schedule of Prior Audit Findings is not applicable; there are no prior accountability audit findings for follow-up.

C.4.PRG - Concluding Accountability Audit Procedures

Procedure Step: Changes to AC Audit Plan

Prepared By: DJK, 3/29/2022

Reviewed By: LJC, 4/12/2022

Purpose/Conclusion:

Purpose:

To document changes in the audit plan and determine whether changes caused audit objectives not to be met.

Conclusion:

No changes were necessary to the audit plan.

Testing Strategy:

To evaluate any changes to the original plan, auditors are **required** to:

- Document any changes to the original audit plan.

Changes made during the course of the audit should be differentiated from the original audit plan. These changes may be documented in

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the Record of Work Done below or as part of the original audit plan (ex: using a different [font color](#) or listing the changes in a separate section of the original plan). For changes that result in a new engagement letter or addendum in accordance with policy 2140 and 1220, refer to the Engagement Letter step in Teammate.

- Determine whether changes to the original audit plan support audit objectives.

Auditors should consider:

- *Possibility for a significant issue in any areas not completed*
- *Sufficiency of procedures to conclude on the existence and extent of any significant issues in areas where exceptions or new risk information was noted*
- *Any needs for an unplanned area to be tested based on new risk information gained during the course of the audit*

In making this determination, the lack of budget would not be a valid reason for dropping a planned area. Rather, the team must either conclude that the likelihood of a significant issue is reasonably low, or - if team management determines that more work may be necessary to achieve the audit objectives - the budget should be adjusted in accordance with requirements of Audit Policy 1220 as necessary.

Audit risk for certain areas may be able to be addressed through other engagements or mitigated through further inquiries or reporting the potential risk to the government and recommending internal review or other follow-up.

Auditors should consider whether permanent file information needs to be updated to capture any significant new information discovered during the course of the audit.

If the audit is **terminated** before completion, auditors should follow Audit Policy 1220 and document the work done, the decision and reason for termination, and any communications.

Guidance/Criteria.*

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [1220](#) - Engagement Cost Management

SAO Audit Policy [4210](#) - Planning Accountability Audits

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Accountability Audits area guide

Record of Work Done.

We continued to consider planning decisions throughout the audit based on conditions encountered, test results, and additional information obtained. Our continuing consideration included re-evaluation of:

- Identified risks
- Planned audit areas
- Staffing and independence
- Other elements of our overall audit strategy, such as scope and needed resources

We made no substantive changes to the plan.

C.4.PR.G - Concluding Accountability Audit Procedures

Procedure Step: AC Summary & Report

Prepared By: DJK, 4/7/2022

Reviewed By: LJC, 4/12/2022

Purpose/Conclusion.

Purpose/Conclusion:

To ensure (1) audit evidence is sufficient and appropriate to support our accountability report and (2) determine audit results to be included in our report as detailed in the Record of Work Done.

Testing Strategy.

Auditors are **required** to perform the following procedures to determine whether evidence is sufficient and appropriate and determine the content of our audit report:

(1) Evaluation of Evidence Obtained

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- **Completion of audit work:** Check that all accountability work is completed.

Reminder: all work supporting the report must be completed and reviewed prior to the date of our audit report. This includes any referenced work documented in other audits or sections.

- **Identified risks:** Determine whether risks identified in planning and during the audit were adequately addressed in documented audit procedures.
- **Audit evidence:** Determine whether procedures and results provided audit evidence of an appropriate quality and in a sufficient extent to support the report.

"Sufficient" refers to the amount of evidence obtained; "appropriate" refers to the quality of the evidence; "quality" refers to applicability of the evidence to the audit objective.

If evidence is not sufficient or of an appropriate quality to conclude on a particular area, the auditor should perform further tests or procedures to obtain the necessary evidence.

- **Communication with the Governing Body:** Evaluate whether two-way communication with those charged with governance has been adequate for the purpose of the audit. If not, there is a risk that all of the audit evidence required to support the audit report has not been obtained. In such cases, the auditor should take appropriate action to address the effectiveness of the communication prior to reporting.

The objective of this evaluation is to consider whether we have all the information we need from the governing body before issuing the report. While an exit conference (or planned exit conference) may be necessary in some circumstances to obtain or confirm views of the governing body, the auditor may conclude that communication is adequate and the report may be issued prior to the exit conference.

In evaluating communication, auditors should consider:

- *Whether the audit results in findings or there were difficulties or disagreements during the course of the audit that necessitate specific communication with the governing body*
- *Whether the views of the governing body are important to any key audit evidence*
- *The apparent awareness and understanding of the governing body to any critical issues or business risks identified by the audit*
- *The apparent openness of the governing body in their communications with auditors and their willingness and ability to meet with auditors*
- *The apparent level of communication by management with the governing body regarding the audit*
- *Whether any members of the governing body have expressed interest or concern about any audit areas or issues*

(2) Accountability Report

- Determine the reporting level of audit issues.

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- Check the Description of Entity and Officials sections with the audit liaison and work with your manager on any questions about necessary report content.

(3) Report Preparation & Distribution

- Route Findings and Management Letters to the appropriate personnel.
- Prepare the audit report using ORCA and the ARS manual.
- Review report distribution in ORCA to ensure standard distribution and distribution to any additional parties that may need to be informed of the audit.
- Consider whether any direct communication or coordination with external parties might be necessary regarding known or suspected fraud or noncompliance. If so, discuss the matter with the Assistant Director in accordance with Policy 1410 or 6320 and document any such communications.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [4410](#) – Accountability Reporting

SAO Audit Policy [2310](#) – Reporting Identified Audit Issues

[Audit Reporting Standards Manual](#) (ARS) - refer to ARS manual for details regarding audit report contents and preparation

Record of Work Done:

(1) Evaluation of Evidence Obtained

We determined that sufficient, appropriate evidence was obtained and documented in order to support our audit report. In making this determination, we:

- **Completion of work:** checked that all accountability work was complete.
- **Identified risks:** checked that risks identified in planning were adequately addressed by documented audit procedures.
- **Audit evidence:** considered quality and amount of audit evidence, in relation to identified risks.
- **Communication with governing body:** considered sufficiency and effectiveness of our communication with management and those charged with governance.

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(2) Accountability Report

We analyzed accumulated issues in the attached LOR Summary. Based on our audit and consideration of results at both individual and aggregate levels, we determined reporting level of audit issues and determined content of our audit report.

(3) Report Preparation & Distribution:

In preparing the report, we:

- Routed Findings and Management Letters to the appropriate personnel, as applicable.
- Prepared the audit report using ORCA and the ARS manual
- Compared the draft report to the ARS manual templates and instructions to ensure the report has the appropriate information and details.
- Reviewed report distribution in ARTS to ensure standard distribution and distribution to any additional parties that may need to be informed of the audit.
- We determined that no special communication directly to external parties was needed in connection with any of these matters (beyond standard distribution of our publicly available report).

Report preparation, technical report review, issuance, distribution, and the final official version of the report is documented in ORCA and the ARTS database.

Report distribution will not be limited. The report will be published on our website and further distributed by email to any parties with applicable subscriptions. Links to the published report will be sent to the audit liaison (on behalf of the government's management and governing body), representatives of oversight bodies and other officials as appropriate, and additionally to any parties with applicable subscriptions.

C.4.PRG - Concluding Accountability Audit Procedures

Procedure Step: AC Letter of Representation

Prepared By: DJK, 5/5/2022

Reviewed By: LJC, 5/5/2022

Purpose/Conclusion:

Purpose:

To confirm the continuing applicability of management's explicit or implicit representations and reduce the possibility of misunderstanding.

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Conclusion:

Entity management provided a signed letter with all appropriate representations.

Testing Strategy:

Auditors must either (A) obtain and review the representation letter on the report date or (B) confirm with management on or before the report date that the representation letter will be signed without exception, in which case the letter may be obtained and reviewed any time before report issuance.

STEP 1: Identify necessary representations

Using the TeamMate template letter located in the SAOStore (Audit Administration | Audit Wrap-Up folder), determine the applicable written representations needed from management for all periods covered by our audit report. Auditors should use one of the following templates:

- **GAAP** – use for all GAAP presentations (including ESDs and GAAP basis school districts)
- **BARS Cash Basis** – use for all governments that are reporting on a BARS Cash Basis or that do not prepare financial statements.
- **School F196** – use for all school districts that report using the F196 on a cash or modified accrual basis.

The template should be modified as needed to reflect the audit scope and situation.

The "general representations" section should be included in all situations; other sections should be deleted if unneeded. For example, auditors should delete the "additional representations related to the financial statements" section if a financial statement audit is not done or when issuing an opinion on single audit work at a later date than the financial statement opinion.

Consider whether any additional representations need to be obtained beyond the standard representations included in the template and modify the template as needed. Contact TAS if you need assistance regarding any additional representations that may be needed.

The following are common examples of additional representations (see also AU-C 580, Exhibit B):

- *The government has used the work of a specialist, such as for determining environmental remediation, pension, OPEB, self-insurance or landfill obligations.*
- *The government has changed accounting principles.*
- *Supplementary information is being presented (such as ACFR or grant schedules).*
- *Financial circumstances are strained and we are reporting either an emphasis of a matter or going concern paragraph.*

STEP 2: Request letter of representation

Auditors should request the letter of representation by letter or email using the template located in the SAOStore. Since representations include reference to uncorrected misstatements (if any), the auditor's final list of uncorrected misstatements should either be included in the letter or attached.

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If an updated letter is needed, auditors may either request a new letter of representation with the correct date or may request an updating letter which refers to the original letter of representation.

STEP 3: Review representations

Obtain and review the representation letter to ensure:

- All representations were properly made and are consistent with expectations
- It is dated as of our report date
- It is signed by appropriate members of current management.

The representation letter must be dated as of the report date. However, the letter may be received after the report date so long as it is obtained before issuing the report.

The letter should be signed by members of management with overall responsibility of financial and operating matters who are responsible and knowledgeable about, directly or through others in the entity, the matters covered in the representations. Generally, the letter is signed by the chief executive officer (e.g. city manager, mayor, superintendent) and the chief financial officer (e.g. finance officer, business manager, clerk/treasurer).

When such persons were not present during all periods referred to in the letter, they may claim they are not in a position to provide some or all of the representations. This fact, however, does not diminish management's responsibilities and would not be a reason for the auditor to accept this risk or responsibility.

Guidance/Criteria.:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [3420](#) - Management Representation Letters

Record of Work Done.:

STEP 1:

We selected the appropriate representation letter template from the Store and considered whether any additional representations were needed beyond the standard ones included in the template. We determined that no additional representations were needed.

STEP 2:

We requested management representations as detailed in [\[RE Rep Letter Exit Items\]](#).

STEP 3:

Signed MRL

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We obtained the representation letter and reviewed it to check that:

- All representations were properly made and consistent with expectations;
- It was dated the same as our report date; and
- It was signed by appropriate members of management.

C.4.PRG - Concluding Accountability Audit Procedures

Procedure Step: AC Exit Conference

Prepared By: DJK, 5/4/2022

Reviewed By: LJC, 5/5/2022

Purpose/Conclusion:

Purpose / Conclusion:

To communicate the results of our audit with management and those charged with governance.

Testing Strategy:

If no exit conference was held or if the report was issued prior to the date of the exit conference, explain the situation in this step (and in the Exit Conference Explanation field in the Custom tab of the Profile) and document how the auditor ensured that adequate communication with management and elected officials occurred.

Pre-Exit Meetings:

If pre-exit or departmental exit conferences are held, the official handout (if any) should be attached and the meeting documented in this step. Attachments for pre-exit or departmental exit meetings should be clearly labeled to distinguish them from the official exit conference.

BEFORE the Exit Conference:

- Communicate with management as to who will attend the exit conference and arrange for a convenient time and location for the exit conference.

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- Invite elected officials to the exit conference (approved invitation letter templates are available in the SAOStore).
- Prepare the exit conference handout using the template available in the SAOStore and the [Exit Conference PowerPoint](#) using the linked template (also available in the Auditor Reference Guide).

Note: management letter, finding and status of prior audit finding templates are also available in the SAOStore, if needed.

- Prepare a separate handout for exit items and share these items with management prior to the exit conference along with any draft management letter or finding issues.

Exit items are referenced, but not included, in the exit conference document. Auditors should bring the handout to the exit and be prepared to discuss exit items if requested.

*NOTE: Communication of IT security matters are highly sensitive, Washington OCIO [category 3](#) information. Please mark IT Security exceptions in TeamMate with **"This record contains information considered exempt from public disclosure under RCW 42.56.420 of the Public Records Act. As such, distribution of this record is limited."** IT security details should never be sent via Email.*

Recommendation Review Requirement - IT Security related information, that an external party may use to manipulate the government's system or security-related procedures, is protected by Public Request Exemption RCW 42.56.420. All IT security-related recommendations must be reviewed by [Team IT Audit](#). [IT Recommendation Procedures](#) are located in Team IT Audit's Support Workgroup folder. Template language for common IT related recommendations can also be found in the [ARS manual Part 5 Chapter 8](#).

- For financial statement audits, print a schedule of uncorrected misstatements from the Aggregation of Misstatements spreadsheet to attach to the exit handout. Also attach a copy of the Management Representation Letter.
- Plan the presentation of audit results by considering the following:
 - Who will attend from SAO?
 - Who will present each section?
 - Detail of audit scope?

DURING the Exit Conference:

- Present Exit conference handout. The conference must include discussion of significant audit results, such as:
 - All non-trivial uncorrected misstatements. Auditors should attach a schedule of uncorrected misstatements by following the printing instructions on the Aggregation of Misstatements spreadsheet.
 - Any material corrected misstatements, if not already reported as part of a significant deficiency or material weakness finding.
 - Representations requested from management. A copy of the Management Representation Letter should be attached.

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- Significant disagreements with management and their resolution.
- Significant difficulties encountered during the audit.
- Our views on significant questions that management consulted with other CPAs about.
- Any other significant issue related to the governing body's financial reporting responsibilities.

AFTER the Exit Conference:

- Document the conference attendees (SAO and entity) in the Record of Work Done.
- Send copies of the exit document to any elected officials who were not able to attend the conference (do not include the handout of exit items).
- Include the official exit document and handout of exit items in the AS2 Team Reports folder.

Note: When attaching the exit conference PowerPoint presentation, consider attaching as a PDF file to minimize file size.

- Ensure that exceptions documented in TeamMate match the official handout of exit items, management letter and findings, as applicable.

The final exit conference document, handout of exit items, management letters and findings should be attached at AS2: Team Reports.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [2130](#) - Inviting Officials to Entrance and Exit Conferences

SAO Audit Policy [2220](#) - Conducting Exit Conferences

SAO Audit Policy [2310](#) – Reporting Identified Audit Issues

Record of Work Done:

Invitations:

We invited the board via email at: [Port Audit Exit Interview Invitation](#)

Exit Conference:

The exit conference handout is documented at [\[Exit Conference\]](#). The following people attended the official exit conference on May 4, 2022 via

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Microsoft Teams, which was held in accordance with Audit Policy 2220:

- Lisa Carrell, Audit Manager
- DJ Kirkwood, AAM
- Jay Personius, Port Manager
- Phillip Martin, Board Chair

In addition to the topics shown on the exit conference handout, the following items were also discussed:

- No additional topics discussed

We also sent copies of the exit conference handout to the following people:

- Jay Personius

C.4.PRG - Concluding Accountability Audit Procedures

Procedure Step: AC Quality Control Assurance Certification

Prepared By: DJK, 5/4/2022

Reviewed By: LJC, 5/5/2022

Purpose/Conclusion:

Purpose / Conclusion:

To review and certify adherence to applicable audit standards and policy with regard to the Accountability audit.

Testing Strategy:

This step should be signed-off by the Auditor-in-Charge, the Assistant Audit Manager, and the Audit Manager. The Quality Control Assurance Certification should be signed-off **before** the Accountability audit report is issued.

If a requirement does not apply, it should be noted on the certification. If a requirement was not met an explanation needs to be documented and approved by the Audit Manager. No other modifications to the form should be made. It is not necessary to reference

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applicable sections of the certification to the audit documentation.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [3430](#) – Quality Control Assurance Certification

Record of Work Done:

Quality Control Assurance Certification

*The certification must be signed-off **before** the Accountability audit report is issued.*

Auditor in Charge Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I informed assistants, if any, of responsibilities and objectives of the procedures they were planned to perform and all relevant information related to those responsibilities (Audit Policy 3160).
3. I monitored the audit budget compared to actual audit hours and requested approval in advance from the supervisor and Audit Manager if additional audit hours were needed (Audit Policy 3160).
4. I promptly informed my supervisor of potential audit issues encountered (Audit Policy 3160).
5. I informed my supervisor of modifications to the audit plan (Audit Policy 3160).
6. Work performed was documented in accordance with Audit Policy 3310.
7. I reviewed audit documentation prepared by assistants to ensure work was adequately performed and properly documented (Audit Policy 3160).
8. I promptly resolved any coaching notes (Audit Policy 3160).
9. Sufficient and appropriate audit evidence was obtained and evaluated to ensure that specific audit objectives were achieved (Audit Policy 3210).
10. Adequate communication with management and the governing body occurred prior to issuance of the report, including all information required to be discussed by Audit Policies 2120, 2210 and 2220.

Assistant Audit Manager (Supervisor) Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this

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audit (Audit Policy 3110).

2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I ensured that all coaching notes were resolved (Audit Policy 3160).
4. I informed the Audit Manager of significant problems or audit issues (Audit Policy 3160).
5. I agree with the certification statements made by the auditor-in-charge.

Audit Manager Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I requested approval for audit budget changes from the Director or delegate (Audit Policy 1220). Also, I communicated audit budget changes to Team Financial Services.
4. In my opinion, the staff assigned to conduct each engagement collectively possess adequate professional competence for the tasks required (Audit Policy 3140).
5. I immediately informed the Director or delegate if the report was anticipated to be issued 30 days or more after the timeliness goals established in Audit Policy 2320.
6. The protocol for findings and management letters as outlined in Audit Policy 2310 was followed.

D.1.PRG - BARS Cash Basis

Procedure Step: Entity Operations - BARS Cash Basis

Prepared By: BTV, 1/5/2021

Reviewed By: LJC, 1/6/2021

Purpose/Conclusion.*

Purpose:

To gain an understanding of the entity and its operations sufficient to plan and perform the audit and identify items to consider in assessing audit risks.

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Conclusion:

Based on our understanding of the entity and its operations, we noted **no** potential risks.

Testing Strategy:

Auditors are **required** to document an understanding of the following items as necessary to supplement the general understanding of the government's operations and environment documented in the planning guide:

Joint Ventures and Related Parties (for disclosure purposes)

- List any component units, joint operations, joint ventures, or jointly governed organizations along with any related parties other than officials and executive staff (who would be considered related parties, but aren't necessary to list in the permanent file).

For definitions, see instructions for "Other Disclosures" in BARS Part 4, Chapter 5 and the Reporting Entity and Related Party Transactions steps. For purposes of the permanent file, auditors should list all organizations that would be considered component units, joint ventures, related parties, etc by their nature. Auditors will evaluate materiality of organizations and transactions in the Reporting Entity and Related Party Transaction steps for purposes of evaluating financial statement presentation and disclosure.

- For each entity listed, briefly summarize a description of the entity, the nature of the relationship, how it is reported on the financial statements, any expected or routine transactions and any other relevant information (such as when it was last evaluated or if it has a separate audit by SAO or another CPA firm).

Key Operational Information

Describe key information related to the government's operations as necessary to supplement the general understanding documented in the planning guide, such as:

- Description of governing body structure or alternative (if alternatives are possible)
- Major programs and activities, especially any optional or unique programs other than basic activities required by statute. Auditors should include information about activities that may be important to know when planning the audit, such as:
 - Brief description of unusual or unique programs and activities
 - Brief description of the scope of functions that can vary widely (ex: parks or tourism departments at Cities or Counties, number of separate systems for water, sewer or storm water operations, etc)
 - Notes on any major function the government has contracted out or performs on contract for other governments (ex: courts, police, jail and juvenile detention at Cities and Counties)

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- Notes on any public-private partnerships where the government contracts out the right and obligation to perform a public service, such as operating a toll bridge or wastewater treatment plant.
 - Use of any service organizations (Policy 6230), along with a description of the nature and significance of services provided.

Service organizations are separate entities that provide services to the government that include performance of a key control or general controls over a key control. Service organizations are identified in this step to provide a basis for risk assessment and planning. Service organization controls need only be understood and tested (or addressed with SOC reports obtained from the government) if they are identified as key controls for a selected material balance.

- Notes on any activities that are reliant on key suppliers, service providers, customers, specialized equipment, or technology / infrastructure at risk of obsolescence
- If useful, list or describe receipting locations and the types of revenues receipted at each location

If there are many locations, the auditor may want to refer to an attached list or cycling matrix. If the entity doesn't maintain a useful list, a template is available in the TeamStore.

- If useful, list or description of expenditure systems.

The auditor may want to attach a cycling matrix or refer to an attached list of petty cash and imprest funds.

- If useful, list or description of facilities related to certain activities (ex: number and type of fee-use facilities for a Park & Recreation District, number of leasable properties for a Port, number of libraries for a Library District or fire stations for a fire district).
- Any applicable items listed in the "Key Operational Information" section of the planning guide

Special Compliance Requirements and Policies

Describe any unique compliance requirements or policies as necessary to supplement the general understanding documented in the planning guide. For example:

- Compliance requirements related to unique programs or activities
- Special compliance requirements related to material contracts or interlocal agreements
- Results of legal research on unique compliance questions or practices

Significant Accounting Policies and Practices

NOTE: if no financial audit is performed, this section can be skipped.

Describe any unique accounting or reporting issues as necessary to supplement the general understanding documented in the planning guide.

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This would include:

- The basis on which the government keeps their accounting records and reports and:
 - Whether the accounting system uses the BARS chart of accounts or not
 - Any major system that accounts for transactions on a basis other than BARS Cash
- Any significant accounting policies or practices (not policy that re-iterate BARS manual guidance, only policies cover actual decisions or deviations). For example:
 - Any unusual use of internal service funds
 - Whether investments are reported at cost, amortized cost or fair value
 - Policy related to expenditure cut-off
 - Unusual accounting or reconciling items with the bank or county treasurer
 - Deviations from BARS.

Any significant accounting policies should be disclosed in Note 1 of the financial statements. Material changes in accounting practices require evaluation and possible disclosure in our audit report (see Policy/Standards tab for details).

- Results of any accounting research on unique accounting or reporting questions or practices.
- Unique considerations regarding measurement of financial condition or performance.
- List of significant accounting estimates, if any.

*An accounting estimate is an approximation of a financial statement item, which may include certain items reported on the Schedule of Liabilities. Significant accounting estimates are those that are based on highly sensitive assumptions or are otherwise significantly affected by year-to-year judgments made by management. **We would not typically expect a significant accounting estimate for a cash basis entity.***

NOTE: Specific procedures are required to evaluate any significant accounting estimates for bias as part of the Management Override of Controls step for financial audits.

Other Information

The auditor should also **consider** including additional sections or information as necessary.

Guidance/Criteria:

See the Reporting Entity Determination worksheet available in the TeamStore for definitions and criteria for

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component units, related organizations, joint ventures, jointly governed organizations, undivided interests and related parties.

AU-C 708.07-11 describes the auditor's evaluation of changes in accounting principles and the effects of an accounting change on the auditor's report.

Record of Work Done:

We gained an understanding of the government's operations based on inquiry of management, observation and inspection during the course of the current and prior audits, along with review of the planning guide and other procedures performed as part of the planning steps. We noted the following key elements regarding the government and its environment in addition to our general understanding documented in the planning guide.

JOINT VENTURES AND RELATED PARTIES

We have identified **no** component units, joint ventures, joint operations or jointly governed organizations which may need to be evaluated for note disclosure.

We have identified **no** related parties in addition to entities listed above and not including government officials, executive management and their immediate families.

KEY OPERATIONAL INFORMATION

We noted the following key information about the government's operations and environment in addition to our general understanding documented in the planning guide:

- 25% of the Nation's commercial oyster harvest is off-loaded at the Port of Peninsula.
- Activities - Receiving oysters, clams, and crab; only fuel dock on Willapa Bay; have only sewage pump-out service on Willapa Bay.
- Facilities - Marina (includes boat ramp), some upland and tideland leases, own commercially zoned property across from Sandridge road.
- Locally receipted cash - The Port receives payments for moorage and hoist fees, leases, and fuel payments at the Port Office and by the Harbor Master (separate location on Port property).

Activities:

- The Port has about 80 leased slips.
- The Port has 10 mooring balls in the marina.
- A brow hoist boat sling is available for lifting boats into and out of the bay.
- Public boat launch ramp was completed in 2002.
- Power, water, and boat sewage pump out is available on Willapa Bay.

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- The Port has the only fully approved above ground commercial fueling facility on Willapa Bay (4,000 gallons diesel, and 2,000 gallons unleaded).
- The Port built an ice machine in 2015 to use and sell commercial ice.

Service Organizations:

We identified **no** service organizations.

SPECIAL COMPLIANCE REQUIREMENTS AND POLICIES

We noted **no** special compliance requirements or information in addition to our general understanding documented in the planning guide.

SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

We noted the following key information about the government's accounting and reporting in addition to our general understanding documented in the planning guide:

- The government keeps accounting records and reports on a cash basis in accordance with the Cash Basis BARS Manual, which is a special purpose framework. Our understanding of the purpose, intended users and steps taken to ensure the appropriateness of this well-established framework is described in the BARS manual.

Significant Estimates:

We identified **no** significant accounting estimates. *We are not performing a financial audit; this area is not applicable.*

D.1.PRG - BARS Cash Basis

Procedure Step: Entity-Wide COSO Evaluation

Prepared By: BTV, 1/5/2021

Reviewed By: LJC, 1/6/2021

Purpose/Conclusion:

Purpose:

To gain an understanding of the five components of internal control (control environment, risk assessment, information and communications, monitoring and control activities) as they relate to the government as a whole and identify items to consider in assessing audit risks.

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Conclusion:

We noted **no** deficiencies in the control environment that might undermine other control elements.

In addition, based on our understanding of entity-wide components of internal controls, we noted **the following** potential risks:

- **Payroll:** QuickBooks performs all payroll and benefit calculations. There is a risk that these may not be reviewed or updated to ensure they are correct. *We will bring this to the brainstorm.*

Testing Strategy:

Auditors are **required** to gain an understanding of the five components of internal control as they relate to the government as a whole.

Auditors should consider recommendations at this point for any significant issues identified, in addition to identifying red flags and evaluating the impact of overall elements on control activities in individual systems.

In evaluating COSO elements, auditors should specifically **consider** the following:

Control Environment:

- What key employees set the control environment at the government-wide level.
- Management integrity demonstrated in past experience with questions and issues.
- Involvement and oversight by the governing body.
- Whether management's philosophy and operating style promote accountability and effective internal controls.
- Whether adequate training appears to be provided to key staff.
- Whether employees in key positions appear competent to perform their duties.
- Any exceptions, such as departments or major areas that are outside the influence of the government-wide control environment.

Risk Assessment:

- What key employees are responsible for risk assessment at the government-wide level.
- Is the government's risk assessment process ad hoc, informal or formal? If not ad hoc, reference or document our understanding of the process and the results for the current period.

Refer to the "Risk Assessment Inquiry" step for suggested questions to evaluate management's risk assessment. Our understanding of management's risk assessment process and results would normally be documented in this step (along with the "Other Engagements & FAWF" step for formal processes with internal audit work).

Ad hoc = No process to proactively identify, assess and respond to risks. Government relies on individuals to react to their own perception or assessment of risks within their assigned roles.

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Informal = unstructured, undocumented and/or unscheduled processes to proactively identify, assess and respond to risks. For example, risk assessment may be assigned as a job to an individual or group, or it may be the subject of conversation or agenda items with the governing body or at management meetings.

Formal = structured, scheduled and documented processes to proactively identify, assess and respond to risks.

- Whether the government generally appears to identify risks, reasonably assess such risks and take appropriate action. Auditors should specifically note if:
 - Audits are identifying risks that management should have – but failed to – identify.
 - Management tends to dismiss or overly discount the significance or likelihood of risks.
 - Management has not taken appropriate action, and the reasons for not doing so (ex: insufficient resources or other limitations, lack of consensus within the government, operational difficulties, etc).
- Any exceptions, such as departments or major areas that are not subject to the government-wide risk assessment.

Information & Communications:

- Update the Key Software Applications spreadsheet and consider adequacy of accounting systems to meet information needs.

Key software applications include general ledger software and other software that processes significant (volume or type) transactions that roll up into the general ledger or financial statements. Consider using the Risk Matrix tab to analyze for common risks associated with software.

*Upload the completed spreadsheet to the [Key Software sharepoint page](#). **Do not email** Key Software Applications spreadsheets.*

Note: Team LISA utilizes the Key Software tab only and does not require, nor review any of the risk matrix tabs. For assistance brainstorming risks for an entity or application, teams should request a meeting with IS Auditors through the IT Helpdesk.

- Whether official policy appears to be adequately communicated.
- Adequacy of reports and information available to managers and supervisors.
- Adequacy of communications between management and the governing body.
- Adequacy of communications with external parties as needed (such as regulatory agencies or service organizations).
- Whether the organizational structure generally appears to facilitate accountability, communication and resolution of issues.
- Any exceptions, such as departments or major areas with inadequate information systems or lack of communication with key personnel.

Monitoring:

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- What key employees are responsible for monitoring at the government-wide level.
- Whether there is an internal audit function. If so, auditors should consider:
 - Whether internal audit directly reports to the chief executive or governing body
 - Whether internal auditors follow professional standards, such as International Professional Practices Framework (IPPF or "Red Book") standards promulgated by the Institute of Internal Auditors (IIA), or Generally Accepted Government Auditing Standards (GAGAS or "Yellow Book") published by GAO.
 - The scope and focus of internal audit activities. If any relevant work was performed by internal audit, we should consider this work and results in the Other Engagements & FAWF step.
- Involvement and oversight by management and the governing board, as evidenced by inquiry, observation and minutes.
- Information used for monitoring activities and how management determines reliability of this information.
- Extent to which performance measures, budgets or other financial analysis is used for monitoring purposes.
- Any exceptions, such as departments or major areas not subject to - or resistant to - monitoring or internal audit.

NOTE: Small and medium sized governments are likely to have more informal controls than large governments. For example, management may provide oversight through direct communication with staff rather than through formal processes. Informal means of control can be adequate for entities that are small and/or uncomplicated.

Guidance/Criteria:

SAO Audit Policy 6230 – Understanding Internal Control and Assessing Control Risk

Record of Work Done:

We gained an understanding of the government's control environment, risk assessment, information/communications and monitoring as relevant to our audits based on inquiry of management, observation and inspection during the course of the current and previous audits, prior audit results and procedures performed as part of planning steps.

Control Environment

We updated our understanding of the actions, policies, and procedures that establish a culture and reflect the overall attitudes of management and the governing body about internal control and noted the following:

- Based on past experience with the entity and per review of the meeting minutes, management appears to be involved in daily activities. The board receives monthly financial updates and approves all vouchers during the meetings.
- Management has been responsive to prior recommendations, and implemented a new auditor position to ensure adequate segregation of duties.
- The Board, Port Manager, Auditor and Harbor Master set the control environment.
- Management generally appears to have identified risks, accurately assessed the significance and likelihood of risks, and taken appropriate actions to address them.

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- Management's philosophy and operating style promote accountability and effective internal controls, as evidenced by adopted policy, observation, and past audit experience.
- Adequate training appears to be provided to key staff, per conversations with staff and past audit experience.
- Key employees appear competent to perform their duties, as evidenced in past experience and interactions throughout the audit.

Risk Assessment

We updated our understanding of management's identification, assessment and response to relevant risks and noted the following:

- Risk assessment is done on an ad hoc basis.
- The Port appears to have identified risk and taken appropriate action, when available. *No issues noted.*

Information and Communications

We updated our understanding of communication processes and accounting systems and noted the following:

- We updated the Port's Key Software Applications: [KeySoftwareApplications]. *We identified the following risk:*
Payroll: QuickBooks performs all payroll and benefit calculations. There is a risk that these may not be reviewed or updated to ensure they are correct. *We will bring this to the brainstorm.*
- The Port uses QuickBooks, and only the Auditor has administrative access to made changes within the system.

Monitoring

We updated our understanding of management's processes to evaluate the adequacy and effectiveness of the government's own internal controls and noted the following:

- The Board monitors Jay Personius, Port Manager, and Jay monitors the Harbor Master.
- There is no formal internal audit function at the Port.
- The Board and management are heavily involved in monitoring, as evidenced by inquiry, observation, and reading of the minutes.
- The Board uses performance measures, budgets, and other financial analysis is used for monitoring purposes during their monthly meetings to gain an understanding of day-to-day operations.

Control Activities

Control activities are the policies and procedures that help ensure necessary actions are taken to address control objectives. Relevant control activities are identified and evaluated separately for each system.

D.2.PRG - Significant Internal Control Systems

Procedure Step: Payroll

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Prepared By: BTV, 2/22/2021

Reviewed By: LJC, 2/23/2021

Purpose/Conclusion.

Purpose:

To determine if payroll controls are adequate to safeguard public resources.

Conclusion:

We determined that payroll controls are adequate to safeguard public resources. *No issues noted.*

Testing Strategy.

Guidance/Criteria.

Record of Work Done.

Gain an Understanding

To gain an understanding of the internal controls over payroll, we spoke with Jay Personius, Port Manager.

New Hires

New hires fill out a W-4 for tax purposes that Cindy Bade, Finance Auditor, uses to enter payroll information into the QuickBooks system. All new hires get a welcome letter that shows their starting rate that is set by Jay and the Board and is based on experience. The hire date is also entered into QuickBooks for leave accrual purposes. Cindy enters their pay rate and overtime rate, and if they are exempt or not. There is no review of this information for accuracy once it has been entered and errors will only be caught once payroll is processed. However, as the Port only has five to six employees, and the Commissioners perform a review of the checks paid, they would know if an employee was being paid incorrectly. This compensating control appears adequate for the size of the Port operations.

New staff also receive an employee packet and guidelines containing sick, holiday, and other payroll-related information.

Cindy is the only onsite employee with access to the QuickBooks system. Mary DeLong, former Manager who is now Port Commissioner is still able

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to access the QuickBooks system as a backup to Cindy. Mary is able to enter invoices and make deposits if Cindy were on vacation, since she has access to and experience with the system. Cindy's Port computer has the QuickBooks application, which is password protected.

Timesheets

Hourly employees have a monthly timecard they must submit. The Port Manager is the only salaried employee, and all other staff are hourly. The Port's normal work week is Monday through Sunday and anything over 40 hours during the week is overtime, paid at time and a half. Holidays get overtime as well as paid at double time. Timecards are turned in to Cindy, who provides them to Jay for his review and approval. He then provides them to Cindy after they are signed by the employee and Jay (**Key Control 1**). All overtime must be approved prior to the date of the overtime: pre approval is usually a conversation between the employee and Jay or Tony Kangas, Harbor Master. Overtime is rare so an extra review is not usually necessary, but Jay or Tony will inform Cindy of the overtime so she can review for that. For Cindy's timesheet, Jay will review and sign. Once Cindy has reviewed and initialed the timecards, she produces the vouchers and has the Commissioners sign the vouchers at their meetings. The commissioners get Cindy's voucher and timesheet during their meeting to review for accuracy and sign the voucher as approval (**Key Control 2**). Commissioners will review their own timesheets for meetings they have attended during the month, which is also approved by Jay.

Leave

Sick leave is accumulated at 8 hours per month, and vacation leave is accrued at 10 days per year for employees with 1-4 years, 15 days per year for 5-9 years, and 20 days per year for 10+ years with the Port. Leave is automatically accrued in QuickBooks based on the rates that are entered in at the employees' time of hire. Cindy double checks every pay period to ensure leave balances are accrued accurately. Jay will also review all leave balances during his review of payroll to verify that balances are accrued accurately (**Key Control 1**). We reviewed the Port's leave accrual policy and noted that employees can accrue up to 360 hours of vacation leave and 960 hours of sick leave.

QuickBooks tracks the leave balances for the Port. Cindy tracks when she increases the monthly accrual rate (at 5 years increments). Cindy tests the tracking system to ensure that it is correct. Leave is taken by verbally asking the Port Manager, and then is recorded on the time sheet.

Payroll & Benefits

Payroll is processed on the last working day of the month, but can be processed a day or two earlier, especially for the EFTs (completed for only Employment Federal Tax Payment System, DRS, and DOR). Any errors found on a paycheck are corrected in the next pay period unless the error is found prior to the payroll tax deposit. Once the payroll deposit is made, they have to wait until the next pay period to correct the error. Direct deposit is available for the Port but no employees currently use it. Checks are printed at the Port office, and Cindy will hand checks to employees. Commissioners also receive monthly checks. The Port has no award, incentive, merit, or bonus programs. Employees who work full-time and are permanent are eligible for a health savings account contribution by the Port.

Key Controls

1. The Port Manager reviews and signs all timesheets to ensure that any overtime worked, leave taken, or regular hours worked

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were accurately recorded and approved.

We reviewed the December 2018 payroll warrant packet for Tony Kangas, Harbor Master (warrant #16924), which included the approved timesheet. We noted the timesheet showed Cindy's signature to evidence her review, and Jay's signature to evidence his approval of the timesheet. *No issues noted.*

2. A Port Commissioner signs off on monthly payroll warrants to verify that they are independently reviewed and approved.

We reviewed the December 2018 payroll warrant packet for Tony Kangas, Harbor Master, which included the approved timesheet, Pay Stub (check detail), and the warrant (warrant #16924). We noted the dollar amount between the warrant and pay stub matched, and the hours between the pay stub and timesheet matched. We also noted the warrant was signed by Phil Martin, Board Chair. *No issues noted.*

D.2.PRG - Significant Internal Control Systems

Procedure Step: Cash Receipting

Prepared By: BTV, 2/22/2021

Reviewed By: LJC, 2/23/2021

Purpose/Conclusion.:

Purpose:

To determine if controls over cash receipting are adequate to safeguard public resources.

Conclusion:

We determined that controls over cash receipting are adequate to safeguard public resources but noted areas where improvements are needed. We will provide the following recommendations: [Fuel Tracking - Segregation of Duties] & [Evidencing Cash Receipting Controls].

Testing Strategy.:

Guidance/Criteria.:

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Record of Work Done.

Gain an Understanding

To gain an understanding of internal controls over cash receipting, we spoke with Jay Personius, Port Manager. We also reviewed the Port's cash receipting policies.

Cash Receipting

The Port receipts cash for fuel sales, ramp fees (open 24 hours per day), the service pier for other boat services, hoist activities, moorage, leases, rental of the Port trailer, pressure washing, ice, dredging haul out, showers, and storage. The Port receipts cash mainly at the fuel dock but also has a donation box at the interpretive center, a drop box for ramp fees, and receipts checks at the main office for invoiced items and take checks at the fuel dock as well. They will invoice them there as well. The two full-time, permanent employees, Richard Miklos and Chester Land, and the one seasonal employee are authorized to receipt cash. Cindy Bade, Finance Auditor, only receipts at the fuel dock when no other employee is available. The fuel dock has a \$200 change fund (increased from \$100 in January 2018) in a lock box that is kept in a locked drawer when not in use. The Port creates a receipt for all fuel sales. All services can be invoiced for those that have an account with the Port, and invoices are sent out the first business day of the month. Any delinquent invoices past 30 days are sent a delinquent notice when the other invoices are sent. The Port also has a security system installed to safeguard cash.

The ramp fee drop box has a pack of tickets and receipts that a customer uses when using the ramp - the customer fills out the ticket with the boat information and places the top of the ticket into the drop box with their ramp fee and the bottom half in the vehicle window when they park their vehicle at the Port. There is one key, which is kept in Cindy's office. The drop box is such that once the payment is put into it, a key is needed to open the box to get it out. The Harbor Master, Tony Kangas, walks the parking lot daily to ensure that all vehicles have the ramp receipt and Cindy is able to view the parking lot from her office. Hoist services are only available during business hours, 7:30a.m.-4:00p.m. and generally are scheduled in advance. Most people will purchase an annual pass for the ramp. She has access to a security system that she'll review each morning to make sure anyone that comes in has paid their fees.

Ice

The Port recently placed an ice machine in their warehouse due to increased regulations on keeping the fish cold. Ice is available for purchase and receipted the same way as fuel. The customer will request the number of totes of ice (25 cubic feet per tote) from the fuel shack, where the funds are receipted.

Moorage

The Port keeps a rate sheet for moorage that is based on the size of the boat. The last increase of moorage rates was in 2014. Moorage is charged based on the larger of the boat or the slip size, which is the how long the finger float is that comes off the dock. If a large slip is the last available, the customer must pay for the slip size and not their boat size. Customers fill out a moorage form to moor at the Port and this includes

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the size of the boat they wish to moor. The Port rarely has long-term turnover because they have been at capacity but does see some short-term moorage turnover. Very few daily moorage, mostly on an annual basis who all fill out moorage agreements.

Boat Services

Other boat services include water pumps and power hook ups. They're able to do sewage pumps but it's rarely used. They have pedestals on the docks for boats to plug in. Boats plug in to keep electric running, they charge \$15 per month. Cindy reviews the charge every month. If a customer needs one of the services, the Harbor Master writes an invoice/receipt for the person to give to Cindy to bill the customer. The Harbor Masters walk the dock every day to watch for customers using the boat services (power is only available to long-term users) and will give Cindy a list of people to add those who have not paid for the service.

Leases

The Port has a standard lease form that they use with leaseholders. Most of the Port's leases have been in place for many years and have an initial 5 year term and then 3 terms renewable at 5 years each. Leases are renegotiated each term. The lease rates can also be changed with Board approval, but rates have not been increased recently.

Fuel Sales

The fuel is locked at all times when not in use. Fuel is pumped by Port employees; customers may not pump their own. The fuel is unlocked by the Port employee and pumped. They have pad locks on the pump handles and a pedestal with two keys. One turns on the gas and the other turns on the diesel. Cindy keeps her key in her office while Tony Kangas, Harbor Master, and Chester Land, Associate Harbor Master, always have their keys with them. All bills from their supplier are broken down by gas, diesel, and oil. Cindy has a sales log in QuickBooks that breaks down the sales of fuel and will show the price per gallon, the amount of gallons, the total sale, and the person sold to if not by cash. Cindy reconciles the fuel logs each month, and receives a sales order and an invoice that are compared to make sure they're the same. The Port has video recording of the fuel pump, so if the reconciliation finds discrepancies, the Port can follow up to determine where the discrepancies occurred.

We noted that since Cindy has one of the keys, and since Cindy completes the reconciliation, there is a risk that fuel could go missing due to a lack of segregation of duties. *We will bring this to the brainstorm*, and we will recommend the Port ensures there is segregation of duties, or a compensating control at [Fuel Tracking - Segregation of Duties].

Deposits

To prepare deposits, Cindy counts the cash in the cash box at the fuel dock and returns the \$200 change fund to the box with one of the other staff members. She locks the box back in the drawer and brings the cash to the main office. Cindy will then recount the funds with either Jay or Tony watching to verify the amount (**Key Control 1**), compares it to the receipting report and will then create the QuickBooks entries and prepare the deposit. Deposits are done daily. When the bank validated deposit slip comes back, Jay verifies the amount verified agrees with the amount of cash that either himself or Tony saw counted (**Key Control 2**). Cindy performs a reconciliation of the cash to the deposits at month end.

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Confirm Key Controls:

1. Either Tony Kangas, Harbor Master, or Jay Personius, Port Manager, watch Cindy Bade, Finance Auditor, count the cash and prepare the deposit to ensure they know the amount of cash receipted.

Jay confirmed this is the process, and described the process to us. Cindy counts that cash in front of either him or Tony to show that the total cash amount agrees with the amount receipted. Cindy then writes the deposit slip for that same amount. The Port does not maintain support evidencing this process. See [\[Evidencing Cash Receipting Controls\]](#).

2. Jay Personius, Port Manager, verifies the bank validated deposit slip agrees with the deposit amount Cindy Bade, Finance Auditor, determined during the deposit preparation to ensure all funds receipted made it into the bank.

After the deposit slip has been bank validated, Jay verifies the bank validated amount agrees with the amount they previously saw counted, which ties to the cash receipt report. The Port does not maintain support evidencing this process. See [\[Evidencing Cash Receipting Controls\]](#).

D.2.PRG - Significant Internal Control Systems

Procedure Step: Disbursements

Prepared By: BTV, 1/15/2021

Reviewed By: LJC, 2/23/2021

Purpose/Conclusion.:

Purpose:

To determine if controls over disbursements are adequate to safeguard public resources.

Conclusion:

We determined that controls over disbursements are adequate to safeguard public resources. *No issues noted.*

Testing Strategy.:

Guidance/Criteria.:

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Record of Work Done.

Understanding of Controls

We spoke with Jay Personius, Port Manager. Most invoices come through the mail and some come through email. Cindy Bade, Finance Auditor, collects all the invoices in a file until Cindy is ready to complete the check run. Cindy runs checks about twice a month. Cindy enters the invoices into QuickBooks, including the vendor, description, amount, and correct GL code. After the invoices are entered into QuickBooks, Cindy runs a Warrant Issue report that lists the check number, vendor name, and check amount. Cindy also prints a warrant cover sheet for each invoice that lists the date, GL code, vendor, and description. Cindy attaches this warrant cover sheet to the invoices. Cindy matches the invoices to the warrant cover sheet and the Warrant Issue report to ensure the invoices were entered accurately. The Port Manager, Jay Personius, reviews the Warrant Issue report to ensure everything appears reasonable. If there are no changes or questions, then the Warrant Issue report, warrant cover sheet, invoices, and checks are all given to one of the Commissioners, usually Phil Martin, for review.

Phil, or any other Commissioner doing the review, reviews each check to ensure it matches the invoice and that the expense is reasonable and for the Port (**Key Control 1**). The Commissioner often asks questions to ensure they understand the expenditures. Each check requires two signatures: Cindy and one commissioner. They manually sign each check and they do not have a signature stamp. There are around 40 checks (including payroll) per check run, so the Commissioner and Cindy would notice if any of the invoices were unusual or for vendors they wouldn't expect the Port to use.

At the Port Board meetings, they review the Warrant Issue report and approve the checks during the open public meeting. They will discuss any major expenses, such as equipment purchases, or projects. Anything over \$20,000 must be discussed and pre-approved by the Board. However, Jay often discusses purchases below that threshold to keep the Board informed about the Port expenditures. After the warrants are approved in the open public meeting, Cindy puts the checks in the mail.

EFT Controls

The Port has three automated EFT payments per month. These include IRS payments through the Electronic Federal Tax Payment System (EFTPS), Department of Retirement Systems payments for PERS contributions, and Department of Revenue for combined excise taxes. Jay and Cindy Bade, Port Auditor explained that port personnel do not respond to emails requesting changes to EFT accounts, amounts, etc. If an account number needed to be changed for an EFT payment, Cindy would reach out to the vendor through a validated telephone number regularly used by the Port (**Key Control 2**).

Confirm Understanding

Key Control 1 - All expenditures are reviewed by a Port Commissioner to ensure they are supported, accurate, and valid.

We obtained a warrant with the attached invoice (#21321) from P&L Johnson Mechanical, Inc. with an invoice date of 8/24/2018 for labor, and lubricant charges related to repairing an oil separator for a total invoice charge of \$523.96. The warrant was completed on 9/14/2018, and was

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signed by Mary DeLong, Port Commissioner. *No issues noted.*

Key Control 2 - Cindy Bade, Port Auditor, contacts vendors asking to change their EFT bank information by a known number, prior to making any changes to their account, to ensure the change is legitimate.

Since there have not been any instances of the bank information needing to be changed, Cindy walked us through what she would do. Cindy appeared aware of the risk, and since her process is to verify the change in bank information using a known telephone number, it appears the Port has an adequate control in place. *No issues noted.*

D.2.PRG - Significant Internal Control Systems

Procedure Step: Credit Cards
Prepared By: BTV, 1/15/2021
Reviewed By: LJC, 1/19/2021

Purpose/Conclusion.:

Purpose:

To determine if controls over credit cards are adequate to safeguard public resources.

Conclusion:

We determined credit card controls are adequate to safeguard public resources. However, we noted 2 of the 3 credit cards are kept in a room at the Port that all 5 employees have access to. The Port's controls are not adequate to have assignability for any losses that occur with these credit cards. See [[Credit Card - Custody Tracking](#)].

Testing Strategy.:

Guidance/Criteria.:

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Record of Work Done:

Understanding of Controls

We spoke with Jay Personius, Port Manager, to gain an understanding of controls over credit cards.

The credit cards are used mostly for office supplies and travel. They have three credit cards each with a limit of \$5,000. Each purchase on the credit card must be recorded on the Expense Report Claim Form. This form breaks down the costs by type (airfare, mileage, hotels, meals, misc, etc.). The form also includes the expense date and description and is signed by the employee. The employee attaches all receipts to this form. The packet is then reviewed and signed by a Commissioner to ensure it is supported, accurate and valid (**Key Control**). Mary attaches the Expense Report Claim Form and receipts to the credit card statement, and this packet goes through the same review process as all other warrants as documented at [\[Disbursements\]](#).

Custody of Credit Cards

The cards are assigned to Phil Martin, Board Chair, Tony Kangas, Harbor Master, and Cindy Bade, Finance Auditor. The Board Chair's card is maintained with him at all times, and is only used by him. Both Tony and Cindy's cards are maintained in a room at the Port building. All 5 Port employees have access to the room, but must first enter their unique pin and the room does have video surveillance. However, since any of them can get into the room to get out a card, and since the video may not catch whether they leave with a card, or which card, there is a risk that if there was a loss, the Port would not be able to assign the loss to an individual employee. See [\[Credit Card - Custody Tracking\]](#).

Confirm Controls

Key Control - A commissioner reviews the Expense Report Claim Form and supported invoices/receipts to ensure all expenses are supported, accurate, and valid.

We obtained the credit card statement for Cindy Bade, Port Auditor, for October 2018. We noted that the statement had the Expense Report Claim Form attached. This forms listed all expenses on the credit card statement. We noted that the Expense Report Form was signed by the employee and a Commissioner. We also noted all invoices and receipts were attached for the transactions on the credit card statement/Expense Report Form. *No issues noted.*

Issues

ISS.1 - Fuel Tracking - Segregation of Duties

Prepared By:

BTV, 2/22/2021

Issue

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<p>Reviewed By: LJC, 2/23/2021</p> <p>Type: Accountability</p> <p>Category: Safeguarding of Assets/Property</p> <p>Reporting Level(s): Exit Item</p> <p>Impact</p> <p>Cost Savings:</p> <p>Questioned Costs:</p>	<p>The employee who reconciles fuel on a monthly basis to ensure it is appropriately used also has a key for fuel. This lack of segregation between duties creates a control risk.</p> <p>We recommend the Port ensures there are adequate segregation between duties to adequately safeguard public resources.</p>
NOTES	
<p>LOR [LOR Summary]</p> <p>We communicated this to Jay Personius, General Manager, on 1/5/2021.</p>	

ISS.2 - Credit Card - Custody Tracking		
<p>Prepared By: BTV, 2/22/2021</p> <p>Reviewed By: LJC, 2/23/2021</p> <p>Type: Accountability</p> <p>Category: Purchase Cards/Procurement Cards</p> <p>Reporting Level(s): Exit Item</p> <p>Impact</p> <p>Cost Savings:</p>	<p>Issue</p> <p>We noted two of the three credit cards at the Port are kept in a room to which all five Port employees have access. The Port's controls are not adequate to have assignability for any losses that occur with these credit cards.</p> <p>We recommend the Port ensures controls are adequate to assign responsibilities for any losses.</p>	

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<i>Questioned Costs:</i>	
NOTES	
LOR Summary [LOR Summary]	
We communicated this issue to Jay Personius, General Manager, on 1/5/2021.	

ISS.3 - Evidencing Cash Receipting Controls		
<i>Prepared By:</i>	BTV, 2/22/2021	<i>Issue</i> The Port asserted the following controls are in place, but was not able to provide evidence of the controls: <ul style="list-style-type: none">Independent employee's review of the system receipting report showing the amount of cash receipted, and the cash amount being taken for deposit, ensuring an independent employee is aware of what amount should be deposited.Independent employee's verification the bank validated deposit slip agrees with amount determined for deposit, ensuring all funds receipted made it into the bank. We recommend evidencing controls to ensure they can be confirmed.
<i>Reviewed By:</i>	LJC, 2/23/2021	
<i>Type:</i>	Verbal Recommendation	
<i>Category:</i>	Cash Receipting	
<i>Reporting Level(s):</i>		
<i>Impact</i>		
<i>Cost Savings:</i>		
<i>Questioned Costs:</i>		
NOTES		
LOR [LOR Summary]		
We communicated this to Jay Personius, General Manager, on 2/22/2021.		

ISS.5 - Payroll - Temporary & Hazard Pay		
<i>Prepared By:</i>	DJK, 5/4/2022	Issue
<i>Reviewed By:</i>	LJC, 5/5/2022	

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<p>Type: Accountability</p> <p>Category: Payroll/Personnel</p> <p>Reporting Level(s): Management Letter</p> <p>Impact</p> <p>Cost Savings:</p> <p>Questioned Costs: \$0.00</p>	<p><u>Payroll – Temporary Assignment Pay and Hazard Pay</u></p> <p>The Port is responsible for designing and following internal controls to provide reasonable assurance that employee pay is supported and paid in accordance with internal policies and state laws. Our audit identified the following issues related to the Port’s controls over payroll:</p> <p><i>Temporary Assignment Pay</i></p> <p>Port Commissioners approved an out-of-class temporary assignment pay for all full-time employees based on performing duties outside of normal work responsibilities. However, the Port could not provide documentation or information about how much employees would make, for how long, and what duties they were taking on outside of normal work. Our testing determined that the Port paid \$23,000 in unsupported temporary assignment pay.</p> <p><i>Hazard Pay</i></p> <p>On March 9, 2020, Port Commissioners declared a state of emergency due to the COVID-19 pandemic. On June 8, 2020, Port Commissioners approved a weekly hazard pay of \$200 for employees who provided essential services during COVID-19. Prior to this approval, the Port did not inform employees of this hazard pay, and they did not expect to receive it. The Port then retroactively paid five employees a combined \$13,000 in weekly hazard pay from March 9, 2020, to June 8, 2020. The Port asserted that they relied on language contained in federal law, H.R. 1319, The American Rescue Plan. This is an unallowable gifting of public funds according to the Washington State Constitution, Article II, Section 25.</p> <p>We also found:</p> <ul style="list-style-type: none"> • The Port did not pay hazard pay to an employee who was out of the office for one week to quarantine for COVID-19.
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	<p>Since this occurred after the Commissioners approved additional compensation, this employee should have received the hazard pay.</p> <ul style="list-style-type: none">• An employee was out of the office for two weeks for a non-work-related injury. The Port correctly withheld hazard pay for this employee; however, this person's timesheet did not accurately show sick was leave was taken during this absence.• The Port's payroll reports show that five employees received hazard pay from March 2020 through June 2021, but the totals showed \$200 less for each employee than auditor recalculations. <p>We recommend the Port:</p> <ul style="list-style-type: none">• Ensure it follows state laws and its own internal policies for any bonus or incentive pay it provides employees• Keep adequate documentation for all payroll expenditures• Conduct additional legal review to determine if any further actions, such as repayment, are necessary or required by law <p><u>Procurement – Public Works and Purchases</u></p> <p>Procurement laws are intended to establish equal and open participation in the awarding of public contracts, enable local governments to obtain goods and services at the most reasonable price, and protect the public's interests.</p> <p><i>Procurement – Public Works</i></p>
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Port of Peninsula

	<p>We tested three projects costing \$378,213 and noted the following:</p> <ul style="list-style-type: none">• The Port could not provide us with a copy of its procurement policy for public works projects.• For all three projects, the Port did not ensure the contractors submitted the intents and affidavits for prevailing wages to the Department of Labor & Industries (L&I).• For two projects, the Port could not provide us with the contracts with the contractors so we could determine if they contained prevailing wage requirements. Due to a lack of documentation, we could not determine if the Port ensured it appropriately obtained quotes and accepted the lowest bid for one of the projects, which totaled \$67,369. <p><i>Procurement – Purchases</i></p> <p>The Port could not provide us with a copy of its procurement policy for purchases. State law requires the Port to establish in its policy the threshold for making purchases through competitive bidding. We selected three purchases for testing, which totaled \$373,860. However, since the Port could not provide us with the policy, we could not test these purchases for compliance with procurement requirements. Further, without the policy, the Port cannot demonstrate that it properly procured each purchase.</p> <p>We recommend the Port:</p> <ul style="list-style-type: none">• Establish and follow procurement policies and procedures that comply with state law• Ensure contractors submit intents and affidavits for prevailing wages to L&I
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Port of Peninsula

	<ul style="list-style-type: none">• Retain necessary documentation to support its procurement activity and demonstrate compliance with prevailing wage requirements
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NOTES

LOR - ([LOR Summary](#)).

We shared the MLs with Jay Personius, Port Manager, on May 3, 2022.

ISS.4 - Procurement - Public Works

<i>Prepared By:</i> , <i>Reviewed By:</i> LJC, 4/28/2022 <i>Type:</i> Verbal Recommendation <i>Category:</i> Procurement/Bid/Prevailing Wage <i>Reporting Level(s):</i> <i>Impact</i> <i>Cost Savings:</i> <i>Questioned Costs:</i>	<i>Issue</i> See Iss.5
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See Iss.5

ISS.6 - Procurement - Purchases

<i>Prepared By:</i> ,	<i>Issue</i>
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Port of Peninsula

<i>Reviewed By:</i> LJC, 4/28/2022 <i>Type:</i> Verbal Recommendation <i>Category:</i> Procurement/Bid/Prevailing Wage <i>Reporting Level(s):</i> <i>Impact</i> <i>Cost Savings:</i> <i>Questioned Costs:</i>	See Iss. 5.
NOTES	
See Iss. 5.	