



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

May 4, 2022

Board of Commissioners  
Port of Peninsula  
Ocean Park, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the Port of Peninsula from January 1, 2017 through December 31, 2020. We believe our recommendations will assist you in improving the Port's internal controls and compliance in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Port officials and personnel. If you have any further questions, please contact me at (564) 999-0882.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for their cooperation and assistance during the audit.

Sincerely,

Lisa Carrell, CPA, Audit Manager

Attachment

Management Letter  
Port of Peninsula  
January 1, 2017 through December 31, 2020

**Payroll – Temporary Assignment Pay and Hazard Pay**

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:

*Temporary Assignment Pay*

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.

*Hazard Pay*

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. However, this is an unallowable gifting of public funds according to the Washington State Constitution, Article II, Section 25.

We also found:

- The Port did not pay hazard pay to an employee who was out of the office for one week to quarantine for COVID-19. Since this occurred after the Commissioners approved additional compensation, this employee should have received the hazard pay.
- 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.

We recommend the Port:

- 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

### **Procurement – Public Works and Purchases**

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.

#### *Procurement – Public Works*

We tested three projects costing \$378,213 and noted the following:

- 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.

#### *Procurement – Purchases*

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.

We recommend the Port:

- Establish and follow procurement policies and procedures that comply with state law
- Ensure contractors submit intents and affidavits for prevailing wages to L&I
- Retain necessary documentation to support its procurement activity and demonstrate compliance with prevailing wage requirements