



*Port Of Brownsville*  
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**Commissioners:**  
Bob Kalmbach  
Jack Bailey  
Fred Perkins

12 November 2015 Study Session

## **CALL TO ORDER**

Commissioner Bob Kalmbach called the Study Session to order at 5:00 PM. In attendance were Commissioner Jack Bailey, Commissioner Fred Perkins, Port Manager Jerry Rowland, Maintenance Supervisor Matt Appleton, Port Attorney John Mitchell, Port Accountant Dennis Bryan and from the State Auditor's office Carol Ehlinger, Amy Strzalka and Rachel Fryer.

## **APPROVAL OF AGENDA**

Motion to approve agenda was made by Fred Perkins and seconded by Jack Bailey. Motion carried unanimously.

## **EXIT CONFERENCE**

Bob Kalmbach turned over the meeting to the State auditor Rachel Fryer. She stated the audit was a long one because it covered 3 years. She recommended that the audit should be yearly. She commented that the staff, commissioners and Port accountant were very cooperative and the Port has an excellent staff. Items that were problems were corrected quickly. She passed out a report and went over the details. First was covering what the audit reviewed: Open Public Meeting Act, Financial Condition, Accounts Receivable, Cash Receipting, Third party cash receipting, Procurement for public works projects. Jack Bailey stated that

Rachel Fryer distributed the Auditors report.

One result from the audit was a management letter. The following internal control issues were identified:

- Port does not have a formal cash receipting policy
- There is no separation of duties between, receipting, reconciling, posting and depositing of funds
- Multiple employees work out of the same till
- Port had multiple instances of customer credit cards being charged for incorrect amounts, resulting in a total loss of \$704 from 2012 to 2014
- Port does not have a consistent process for boat ramp fee collection, ensuring people are paying the fee
- Port does not have a consistent process to ensure all guests mooring pay for their stay
- Chas shortages of \$95 were noted in 2012, employee was fired but the funds were never recovered

Recommendations by the State Auditors was to establish and follow formal cash receipting policy, provide training to employees, implement a process to ensure collection of boat ramp fees with dual control, implement a process to ensure all moorage fees are collected. Jack Bailey commented that at times there are only 2 people on duty so the processes may be hard to perform. Rachel replied they recognized that but the process should include this condition and there should be more eyes on the cash process. Jerry Rowland stated there will be change for cash accounting by the Port.

Rachel distributed copies of the next letter which is a finding for the Port. For Public Works Projects there were these items that were addressed:

- Formal bid package for Docks C, D and E were not retained (original documents)



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- A bid tabulation form was not retained for the second bidding of same contract so unable to determine if lowest bidder was selected
- Port did not retain the “Debarred Contractor List” for the time period the same contract was awarded
- Port did not obtain a “Statement of Intent to Pay Prevailing Wages” for any contract the Port entered into
- Port used the Small Works Roster for a project that was over the \$300,000.00 threshold but did follow the bid procedure of RCW 53.08.120
- Port utilized the “Sole Source” exemption for a services contract which is inappropriate

The auditors stated the cause of these findings was the Port did not have adequate policies and procedures in place or adequate knowledge to ensure compliance with state laws. The recommendation was for the Port to ensure appropriate staff members receive training and understand bid laws. Also, the State Auditors recommended the Port establish and follow policies and procedure to ensure they are in compliance with state and local bid laws. The auditors said the Port has 7 days to reply to this finding.

The next item distributed was the management letter pertaining to Financial Statement Preparation and Review. This identified the following internal control deficiencies:

- The Port no internal review over the Management’s Discussion and Analysis Report. This resulted in various misstatements in the reports for 2012, 2013 and 2014.
- The Port utilized a CPA firm to perform its monthly cash reconciliations but there was not review process by the Port
- The Port did not review its balance sheet accounts against the monthly and year-end financial statements complied by CPA
- The Port did not have a capital asset policy that established a capitalization threshold or specific guidelines for depreciation
- Some assets were capitalized incorrectly
- Some individual capital assets were grouped and depreciated together
- The start dates for depreciation expense recognition were inconsistently applied

The State Auditors recommended a review process of the financial statements other than the CPA who initiated the statements, a review process by the Port or second party over cash reconciliations performed by the CPA, initiate a monitoring procedure to ensure general ledger balances are accurate, and a capital asset policy with threshold and specific guidelines for depreciation. Carol Ehlinger added that this deficiency would normally be listed as a finding but because the Port was so quick to respond and very cooperative the auditors chose a management letter. Jack Bailey stated his background was not in accounting but he didn’t understand where the depreciation was relevant. Dennis Bryan stated that for many years it was not relevant or reported by the State Auditor office as a concern. Carol Ehlinger stated things have changed and is now an area they review. Amy Strzalka added that the Port can set their own policy in this area and make the dollar amount what they want but the purpose to spread out the depreciation of value over the life of the asset. There is a guideline that gives some recommendations on types of assets that should be depreciated. Bob Kalmbach asked the Port Manager is this had been discussed before. Jerry Rowland replied it has been discussed but the real issue is the Port does not have a policy on this. He added all the assets are on a list.

Rachel Fryer stated that the opinion of the State Auditors was that in general the Port was in accordance with accounting principles. The items addressed in the finding have been corrected. The final report is awaiting the response from the Port. The final State Audit will be published in about one week. The cost of this audit to



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date is \$20,700.00. The State Auditors estimated \$15,000.00. This audit was estimated to be \$12,000.00 in the Port budget. Due to the fact that it was a 3 year look it went over what was estimated in the Port budget. The next yearly audit will have an estimated cost of \$7,420.00. Bob Kalmbach asked what the cost was of a State Audit and how it is billed. Carol Ehlinger replied it is \$88.50 an hour but in 2016 it will raise to \$93.00 an hour. This figure was used for next year's audit. She added that next year the problems identified this year will have already been addressed so issues will be less. A customer survey will be sent to the Port Manager, Jerry Rowland, and the President of the Commissioner board, Bob Kalmbach. Bob Kalmbach stated that the State Auditors have been good to work with and the Port has learned a lot and that's what audits are all about. Jack Bailey stated that the goal of the Port was to do as much as possible with as little as possible so as a result some things may have fallen through the cracks, but now the commissioners know to correct this. Amy Strzalka stated that she appreciated how involved the Port was in the process and correcting the issues.

Fred Perkins said he had been voted into his position and he was glad to hear that the audit was not going to put him in jail. He acknowledged that the Port has a tremendous staff and it was good that the staff and the auditors were able to communicate well. Bob Kalmbach noted that there 5 Port districts that didn't have any commissioners run for office. Bob Kalmbach handed the Ports response for the management letters and finding to Rachel Fryer.

#### **CLOSE MEETING / ADJOURN**

Commissioner Bob Kalmbach asked if there were any other discussions on this subject. There was none so meeting was adjourned at 5:41 PM.

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President / Commissioner

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Secretary / Commissioner

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Commissioner

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Recording Secretary