



Office of the Washington State Auditor  
Pat McCarthy

# Accountability Audit Report

## Port of Brownsville

For the period January 1, 2020 through December 31, 2021

*Published January 30, 2023*

Report No. 1031900



Find out what's new at SAO  
by scanning this code with  
your smartphone's camera



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

January 30, 2023

Board of Commissioners  
Port of Brownsville  
Bremerton, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Port operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Port's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Audit Results.....	4
Summary Schedule of Prior Audit Findings .....	5
Related Reports.....	8
Information about the Port.....	9
About the State Auditor's Office.....	10

## AUDIT RESULTS

### Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Port operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of the Port of Brownsville from January 1, 2020 through December 31, 2021.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the Port's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2021 and 2020, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. In addition, as part of this audit we followed up on the special investigation report issued January 13, 2021, over credit card purchases and use and replacement of employee personal equipment used for Port business. We examined the following areas during this audit period:

- Accounts payable – general disbursements and credit cards
- Tracking and monitoring of theft sensitive assets such as computers, tools and equipment
- Cash receipting – timeliness and completeness of deposits
- Payroll – commissioner compensation
- Procurement – public works
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress



**PORT OF BROWNSVILLE**

9790 Ogle Rd • NE Bremerton, WA 98311  
 360-692-5498 FAX 360-698-8023  
[pob@portofbrownsville.org](mailto:pob@portofbrownsville.org)

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Port of Brownsville  
 January 1, 2020 through December 31, 2021**

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2017 through December 31, 2019	<b>Report Ref. No.:</b> 1027689	<b>Finding Ref. No.:</b> 2019-001
<b>Finding Caption:</b> The Port did not have adequate internal controls over financial operations and assets to avoid the risk of misappropriation.		
<b>Background:</b> The Port did not have adequate procedures in place over accounts payable, safeguarding of theft-sensitive assets, payroll, and cash receipting activity to safeguard public funds. The following control deficiencies were identified: <i>Accounts payable</i> The Port did not obtain adequate supporting documentation to determine if purchases were made for allowable Port use, including travel, other general purchases, and petty cash replenishments. <i>Theft-sensitive assets</i> The Port did not have adequate controls in place to ensure theft-sensitive assets were identified, tracked, and securely stored. The Port’s asset listing was not complete nor did it have sufficient detail to identify assets. The Port’s controls were also inadequate to ensure theft-sensitive assets were only used for Port purposes. In addition, the Port did not follow its policy regarding disposal of assets. <i>Payroll</i> The Port did not include sufficient detail on employee timesheets to ensure payroll charges to grants or projects were valid. Also, the Port did not have adequate controls to identify retroactive merit pay was unallowable.		

*Cash receipting*

The Port did not have adequate controls to ensure all funds were accounted for and deposited in a timely manner.

**Status of Corrective Action: (check one)**

Fully Corrected       Partially Corrected       Not Corrected       Finding is considered no longer valid

**Corrective Action Taken:**

*The Port of Brownsville acknowledges prior deficiencies in its application of internal controls over financial operations and assets did occur. Most, if not all of the issues raised in the audit related to the conduct of the Port's prior contracted CPA and prior Port staff.*

*The Port is committed to continuing to implement and maintain internal controls in accordance with the latest standards and to monitor the results in order to assure compliance with state and local policies and to avoid the risk of misappropriation. The Port used this audit process to assist them in identifying the areas that the Port needed to develop additional resources to be in compliance. The Port has attended multiple finance presentations, performed ongoing reviews of the BARS manual, hired new CPA and legal firms with state-wide Port expertise and developed additional internal procedures to govern and monitor all such activities. The Port has reviewed its policies and procedures in accordance with the BARS manual and MRSC recommendations and has implemented multiple levels of procedures to assist the Port. The Port has engaged in training of staff related to these policies.*

*These updated policies and procedures assist the Port in all purchasing, travel and petty cash transactions and ensure that all theft-sensitive assets are identified, tracked and securely stored.*

*The Port has implemented an expanded employee timecard that tracks the Ports main areas of operation in more detail, including all grant and project tracking. The Port acknowledges that the retroactive pay in 2017 was unallowable as it did not meet the requirements to establish the expectations before the period of services for which the payment was made. The Ports' current updated policies and procedures would not allow for such a situation to occur again.*

<b>Audit Period:</b> January 1, 2017 through December 31, 2019	<b>Report Ref. No.:</b> 1027689	<b>Finding Ref. No.:</b> 2019-002
---	------------------------------------	--------------------------------------

**Finding Caption:**

The Port did not comply with state grant requirements for its Boat Launch project.

**Background:**

We reviewed the Port's compliance with the state grant requirements identified in the RCO manual and the Funding Board Project Agreement (Agreement) between RCO and the Port. The Port did not comply with requirements related to procurement of engineering, public works services, allowable costs, and providing matching funds.

**Status of Corrective Action: (check one)**

- Fully Corrected       Partially Corrected       Not Corrected       Finding is considered no longer valid

**Corrective Action Taken:**

*The Port acknowledges prior deficiencies in its compliance with various components of the state grant for its Boat Launch project. Most, if not all of the issues raised in the audit related to the conduct of the Port's prior CPA and prior contracted engineering firm who was hired to manage the project. The Port Commission recognized the need to replace the Port's CPA and has retained a new outside CPA firm with extensive experience and specifically Washington Public Port experience.*

*The Port is committed to strengthening its internal controls over grant management to ensure compliance with state grant and procurement requirements. The Port used this audit process to assist them in identifying the areas that the Port needed to develop additional resources to be in compliance including attendance at multiple finance presentations, ongoing review of the BARS manual, hiring new CPA and legal firms with state-wide Port expertise and developed additional internal procedures to govern and monitor all such activities. The Port has reviewed all of its procurement and related policies in accordance with the BARS manual and MRSC recommendations to assure compliance with state law and has implemented multiple levels of procedures to assist the Port. The Port has engaged in training of staff related to these policies, including grant specific training.*

*The Port immediately notified the granting agency of the grant finding and no further action was taken by the granting agency.*

## RELATED REPORTS

### **Financial**

Our opinion on the Port's financial statements is provided in a separate report, which includes the Port's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.



## INFORMATION ABOUT THE PORT

The Port of Brownsville was formed by a vote of the people in 1920 to enhance the economic development in Kitsap County. The original pier built in 1902 by locals to accommodate small steamer ships and ferries transporting goods, people, and mail, was upgraded. In the 1940's the ships and ferries became uneconomical and the Port became a small boat basin. The Port now consists of a marina for approximately 320 permanent boats, which includes 48 privately owned boathouses plus 45 moorage slips and 350 linear feet for guest boaters. The Port has a fuel dock, launch ramp, fishing dock, an upland, and waterfront park.

An elected Board of three Commissioners governs the Port. The Board hires an Executive Director to oversee the Port's daily operations as well as its employees. The Port receives approximately \$400,000 in yearly tax revenue and generates approximately \$1,500,000 annually from marine operations.

### Contact information related to this report

Address:	Port of Brownsville 9790 Ogle Road N.E. Bremerton, WA 98311
Contact:	Shaun Nye, Commissioner
Telephone:	(360) 908-3702
Website:	<a href="http://www.portofbrownsville.org">www.portofbrownsville.org</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Port of Brownsville at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)