



# Internal Audit Report

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Comprehensive Operational Audit

Fishermen's Terminal

January 1, 2011 - April 30, 2013

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## Transmittal Letter

Audit Committee  
Port of Seattle  
Seattle, Washington

We have completed an audit of Fishermen's Terminal.

We reviewed information relating to Fishermen's Terminal and the Maritime Industrial Center for the period January 1, 2011, through April 30, 2013.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the management and staff of Harbor Services and the Fishing and Commercial Vessels Department for their assistance and cooperation during the audit.



Joyce Kirangi, CPA, CGMA  
Director, Internal Audit

## Executive Summary

**Audit Scope and Objective** The purpose of the audit was to determine whether:

- Department controls are adequate to provide reasonable assurance that moorage revenue is accurate and complete in compliance with Department policies and procedures, including the Port-wide moorage tariff.
- The Department has implemented sufficient corrective action to address issues identified in prior audits.

The scope of our audit covered the period January 1, 2011, through April 30, 2013.

**Background** Fishermen's Terminal is part of the Harbor Services Department within the Real Estate Division. Approximately 10 employees are under the direction of the Senior Manager of Fishing and Commercial Vessels. The employees contribute to the mission of providing moorage facilities, equipment, and services to fishing, commercial, and recreational vessels. Fishermen's Terminal has 371 individual slips and 2,500 linear feet of moorage, including 1,200 linear feet of concrete dock space for loading and repair work. Set on Seattle's Ship Canal, which links Lake Washington to Puget Sound, Fishermen's Terminal has been the traditional homeport for the North Pacific Fishing Fleet for almost 100 years.

A 2007 economic study indicated that Fishermen's Terminal contributes to:

- 3,924 local jobs
- \$404 million in wages and salaries
- \$196 million in business revenue for the region
- More than \$37 million in state and local taxes

**Audit Result Summary** The Department's controls are adequate to provide reasonable assurance that moorage revenue is accurate and complete in compliance with Department policies and procedures. Management has implemented sufficient corrective action to address issues identified in prior audits.

## Background

Located on Seattle's Ship Canal, which links Lake Washington to the Puget Sound, Fishermen's Terminal has been the traditional home port for the North Pacific Fishing Fleet for almost 100 years. Fishermen's Terminal provides freshwater moorage (daily and monthly) for a variety of boats, ships, and other vessels ranging from 20-foot sailboats to ocean-going trawlers over 250 feet long. It has 371 individual slips and 2,500 linear feet of moorage, including 1,200 linear feet of concrete dock space for loading and repair work. The facility is also the center of a thriving commercial district with shops, restaurants, marine brokerage houses, and more.

Some of the services and benefits of mooring at Fishermen's Terminal include:

- Freshwater moorage
- 24/7 staffing and security
- Restrooms and showers
- Power and water
- Free parking
- On-site marine haul-out and repair
- Sewage and bilge pump-out facilities
- Docks for repairs and loading
- Fine dining
- Family restaurants
- Retail shops
- Storage facilities
- Office space
- The Nordby Conference Center

Recent capital improvements included replacement of the south seawall and dredging of the west wall to provide better access for customers. The Port is committed to supporting the fishing industry and to meeting the changing needs of the North Pacific Fishing Fleet.

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Fishermen's Terminal is part of the Harbor Services Department within the Real Estate Division and operates with approximately 10 FTEs. The Department revenue streams are mandated by the Commission-approved Tariff. The Tariff specifies what and how much to charge for various services provided by the Department. The Department expenditure cycle is managed through the annual budgeting process and is monitored by management throughout the year.

The main revenue source of the Department is moorage. Daily and monthly moorage charges are based on moorage location, length of stay, vessel length, and the vessel's classification as either an active fishing vessel, a commercial vessel, or a recreational vessel. In addition, approximately 39% of the Department's revenue is generated by other sources including electricity, locker rentals, land storage, and equipment rental.

## Financial Activity

The Department's financial information is as follows:

### Fishing and Commercial Vessels Revenues and Expenses (Amounts in Thousands)

Revenue and Expense	2010		2011		2012	
<b>Revenue</b>	<b>\$2,740</b>	<b>100%</b>	<b>\$2,544</b>	<b>100%</b>	<b>\$2,538</b>	<b>100%</b>
Berthage & Moorage	\$1,752	64%	\$1,554	61%	\$1,542	61%
Lockers	\$587	21%	\$587	23%	\$593	23%
Other Revenue	\$401	15%	\$403	16%	\$403	16%
<b>Expenses</b>	<b>\$1,731</b>	<b>100%</b>	<b>\$1,573</b>	<b>100%</b>	<b>\$1,621</b>	<b>100%</b>
Salaries & Benefits	\$999	58%	\$897	57%	\$958	59%
Utilities	\$488	28%	\$488	31%	\$497	31%
Other Expenses	\$244	14%	\$188	12%	\$166	10%
<b>Less: Depreciation</b>	<b>1,858</b>		<b>1,936</b>		<b>1,601</b>	
<b>Net Income/(Loss)</b>	<b>(\$849)</b>		<b>(\$965)</b>		<b>(\$683)</b>	

Data Source: PeopleSoft

## Highlights and Accomplishments

During the course of the audit, we observed the following Department highlights and accomplishments. The Department:

- Implemented a requirement that customers provide proof of insurance for their vessel, in order to reduce the instances of derelict or dangerous vessels mooring at the harbor.
- Hosts the Fishermen's Fall Festival to benefit the Seattle Fishermen's Memorial.
- Manages and provides service to a diverse and frequently changing population of vessels including fishing, commercial, and recreational vessels with varying needs.
- Received the Envirostar Clean Marina award from King County for the second time. Fishermen's Terminal received a 5-star rating, which is the highest rating possible.

## Audit Scope and Methodology

We reviewed information for the period January 1, 2011, through April 30, 2013. We utilized a risk-based audit approach from planning to testing. We gathered information through review of documents, interviews, observations, and analytical reviews, in order to obtain a complete understanding of Fishermen's Terminal operations. We assessed significant risks and identified controls to mitigate those risks. We evaluated whether the controls were functioning as intended.

We applied additional detailed audit procedures to areas with the highest likelihood of significant negative impact as follows:

1. Inventory of Vessels

We conducted an inventory of all vessels moored at Fishermen's Terminal on April 29, 2013. We compared this inventory to the boat check conducted by terminal staff for the same day to determine whether the boat check identifies all vessels at the terminal.

2. Billing Rates

We traced all of the vessels on the boat check for the month of April 2013 to the Marina Management System to determine whether all vessels were billed correctly for moorage during the month.

1. Vessel Details

We traced the vessel lengths recorded in the Marina Management System to the United States Coast Guard database for a risk-based sample of 107 vessels moored at Fishermen's Terminal during April 2013.

2. Tariff Rates

We traced the moorage rates on the moorage tariff effective January 1, 2013, to the rate codes in the Marina Management System, to determine whether customers are being charged the appropriate rates.

3. Changes to Billing Rates

We analyzed historical billing data in the Marina Management System, to determine whether vessels had been charged different rates at different times during the period January 1, 2010, through April 30, 2013. For all vessels where multiple rates had been charged, we reviewed the billing records to determine whether the rate changes were appropriate.

## Conclusion

The Department's controls are adequate to provide reasonable assurance that moorage revenue is accurate and complete in compliance with Department policies and procedures. Management has implemented sufficient corrective action to address issues identified in prior audits.