

# INTERNAL AUDIT REPORT

SHILSHOLE BAY MARINA  
COMPREHENSIVE OPERATIONAL AUDIT

JANUARY 1, 2013 – JUNE 30, 2014

ISSUE DATE: JULY 29, 2014  
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## TRANSMITTAL LETTER

Audit Committee  
Port of Seattle  
Seattle, Washington

We have completed an audit of Shilshole Bay Marina. We reviewed information for the period January 1, 2013 - June 30, 2014.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. 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 the Harbor Services Department for their assistance and cooperation during the audit.



Joyce Kirangi, CPA, CGMA  
Internal Audit, Director

AUDIT TEAM	RESPONSIBLE MANAGEMENT TEAM
Benjamin Wolfgram, Senior Auditor	Tracy McKendry, General Manager – Recreational Boating
Jack Hutchinson, Audit Manager	Darlene Robertson, Director – Harbor Services (retired)

## EXECUTIVE SUMMARY

### AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether Shilshole Bay Marina management controls are adequate to ensure:

1. Guest Moorage, Dry Moorage, and Parking revenue is complete and charged at the appropriate rate.
2. Rates are charged in accordance with the approved tariff.
3. Customer liability insurance complies with requirements.

We reviewed information for the period January 1, 2013 - June 30, 2014. Details of our audit's scope and methodology are on page 6.

### BACKGROUND

Harbor Services within the Port of Seattle's Real Estate Division operate Shilshole Bay Marina. The Commission-approved Moorage Tariff No. 6 governs the Department's revenue streams. The tariff specifies the rates and charges for services provided by the Marina, including berthage and moorage, electricity, live-aboard fees, equipment rental, and other services.

Berthage and Moorage is the primary revenue stream for the Marina, which provides monthly and guest moorage, primarily to recreational boating customers, including live-aboard customers. In addition to moorage slips in the marina, Shilshole Bay Marina has dry moorage slips available for customers to store their boats in a dedicated area out of the water, and the Marina makes additional space available for this purpose in the off-season. Guest Moorage fees are determined by the length of stay and the overall length of the vessel. Monthly moorage rates are determined by the length of the slip occupied by the vessel.

### AUDIT RESULT

Management controls are adequate to ensure that Guest Moorage, Dry Moorage, and Parking revenue is complete and charged appropriately. Management controls are also adequate to ensure compliance with the approved tariff and customer insurance requirements.

## BACKGROUND

Shilshole Bay Marina is operated by Harbor Services within the Port of Seattle's Real Estate Division. The Commission-approved Moorage Tariff No. 6 governs the rates and charges applicable to Marina operations. The tariff specifies the rates and charges for services provided by the Marina, including berthage and moorage, electricity, live-aboard fees, equipment rental, and other services. Shilshole Bay Marina manages its operations using the Marina Management System, which is shared by all of the Harbor Services facilities.

Shilshole Bay Marina generates over \$8 million in revenue annually. Berthage and Moorage is the primary revenue stream for the Marina, which provides monthly and guest moorage, primarily to recreational boating customers, including live-aboard customers. In addition to moorage slips in the marina, Shilshole Bay Marina also has dry moorage available for customers to store their boats in a dedicated area out of the water. Guest Moorage charges are determined by the length of stay and the overall length of the vessel. Monthly moorage charges are determined by the length of the slip occupied by the vessel.

## FINANCIAL HIGHLIGHTS

### SHILSHOLE BAY MARINA DEPARTMENTAL REVENUES BY FISCAL YEAR

AGREEMENT YEAR	2011	2012	2013
Berthage & Moorage:			
Monthly Moorage	\$ 7,257,424	\$ 7,201,171	\$ 7,372,506
Guest Moorage	203,579	233,988	211,776
Dry Moorage	160,213	172,647	182,661
Other Moorage	18,197	8,987	12,440
Parking	10,802	14,931	10,356
Other Revenue	592,412	607,835	658,695
<b>TOTAL</b>	<b>\$ 8,242,627</b>	<b>\$ 8,239,560</b>	<b>\$ 8,448,434</b>

Data Source: PeopleSoft Financials

## HIGHLIGHTS AND ACCOMPLISHMENTS

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

- Developed an off-season dry storage line of business to expand dry moorage capacity throughout the winter months.
- Participates in National Marina Day, a nationwide boating event dedicated to growing participation in recreational boating.
- Hosts an event for National Night Out, which promotes police-community partnerships, neighborhood camaraderie, and involvement in crime prevention activities.

## AUDIT SCOPE AND METHODOLOGY

We reviewed information for the period January 1, 2013 - June 30, 2014. We utilized a risk-based audit approach from planning to testing. We gathered information through research, interviews, observations, and data analysis, in order to obtain a complete understanding of the operations of Shilshole Bay Marina. 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. Guest Moorage Revenue

We selected a sample of 12 days during August and December 2013 and traced all vessels identified by management's boat check to guest moorage assignments in the Marina Management System to determine whether all vessels observed in the marina were captured in the system and billed the appropriate rate based on recorded vessel information.

2. Dry Moorage Revenue

We conducted a physical inventory of the 92 slips in the dry moorage yard on June 24 & 26, 2014, and traced our observations to the dry moorage assignments in the Marina Management System to determine whether all vessels in the dry moorage area were recorded as dry moorage customers and whether there were unauthorized vessels present.

3. Parking Revenue

We traced the log of all parking permits for 2014 issued through June 26, 2014 to the record of documents issued in the Marina Management System to determine whether all permits were recorded and whether customers were charged for permits as required by the Moorage Tariff.

4. Tariff Compliance

We traced the billing rates contained in the Marina Management System to the current version of the Moorage Tariff, effective May 1, 2014, to determine whether the rates in the system agreed to the rates specified by the tariff.

5. Insurance Compliance

We selected a sample of 59 customers with monthly assignments in June 2014 and reviewed their files to determine whether documentation of liability insurance was on file and in compliance with requirements.

## CONCLUSION

Management controls are adequate to ensure that Guest Moorage, Dry Moorage, and Parking revenue is complete and charged appropriately. Management controls are also adequate to ensure compliance with the approved tariff, and customer insurance requirements.