



Port of Seattle

Internal Audit Report

Fishermen's Terminal

Department Audit

Audit Period January 1, 2008 through December 31, 2009

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Internal Auditor's Report

We have completed an audit of the Fishermen's Terminal department. The purpose of the audit was to determine if:

1. Locker rental and moorage revenue are complete and accurate
2. Payments are properly receipted and safeguarded
3. The Marina Management System provides adequate segregation of duties to ensure proper accountability of revenue, as well as the management tools necessary to effectively manage marina operations

Management has the primary responsibility to establish and implement effective controls. Our role was to assess and test those controls in order to establish whether the controls were adequate and operating effectively.

We conducted the audit using due professional care. We planned and performed the audit to obtain reasonable assurance that department controls relating to revenue, payments, and the Marina Management System are adequate and operating as intended.

Locker revenue was found to be complete and accurate; however, we noted concerns associated with the internal controls over the completeness and accuracy of moorage revenue and payments. Additionally we noted opportunities to strengthen the efficiency of the Marina Management System, which have been communicated to management in a separate letter.

We extend our appreciation to the Fishermen's Terminal department for their assistance and cooperation during the audit.



Joyce Kirangi, CPA
Internal Audit Director

Executive Summary

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

1. Locker rental and moorage revenue are complete and accurate
2. Payments are properly receipted and safeguarded
3. The Marina Management System provides adequate segregation of duties to ensure proper accountability of revenue, as well as the management tools necessary to effectively manage marina operations

We reviewed information relating to fiscal years 2008 and 2009.

Background Fishermen's Terminal is part of Harbor Services within the Port of Seattle's Real Estate Division and generates \$2.5 million in revenues while incurring \$1.5 million in operating expenses. Approximately 11 employees are under the direction of the General 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 moorage slips and 2,500 feet of lineal 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 more than 90 years.

Audit Result Summary Locker revenue was found to be complete and accurate; however, we noted concerns associated with the internal controls over the completeness and accuracy of moorage revenue and payments. Additionally we noted opportunities to strengthen the efficiency of the Marina Management System, which have been communicated to management in a separate letter.

Background

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 more than 90 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 feet of lineal 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 with no tidal changes, flexible beam allowances, 24/7 staffing and security, restrooms and showers, power and water, free parking, on-site marine haul out and repair, free sewage and bilge pump-out facilities, reserveable loading docks for repair work and loading, fine dining, family restaurants, retail shops, storage facilities and office space, the Nordby Conference Center, and live-a-board moorage available for fishermen.

Recent capital improvements included replacement of the south seawall and dredging of the west wall to provide better access for its customers. The Port is committed to supporting the fishing industry and to meeting the changing needs of the North Pacific Fishing Fleet. A 2003 economic study revealed that Fishermen's Terminal is responsible for 3,924 local jobs and that each year it generates \$404 million in wages and salaries. Fishermen's Terminal also generates \$196 million in business revenue for the region and more than \$37 million in state and local taxes.

Fishermen's Terminal is part of the Harbor Services group within the Real Estate Division and operates with approximately 11 FTEs. The department revenue streams are mandated by the Commission approved Tariff. The Tariff specifies what and how much to assess 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 are contingent upon the length of stay, the vessel length, and the vessel's classification as either an active fishing vessel, a commercial vessel, or a recreational vessel. In addition, approximately 35% of the department's revenue is generated from various sources including electricity, locker rentals, land storage, and equipment rental.

The department's financial information is as follows:

Fishermen's Terminal Operating Revenues and Expenses

	<u>2008</u>		<u>2009</u>	
Revenues				
Berthage and Moorage	1,557,325	62%	1,634,398	65%
Locker Rental	536,085	21%	552,511	22%
Utilities and Garbage Disposal	165,651	7%	120,151	5%
Land Storage, Rental, Laundry, Vending	152,137	6%	161,746	6%
Misc.	99,502	4%	31,947	1%
Total Revenues	2,510,700		2,500,753	
Expenses				
Salaries & Benefits	929,195	60%	928,391	58%
Utilities	392,226	25%	469,813	29%
Outside Services	155,537	10%	108,420	7%
Misc.	75,035	5%	90,228	6%
Total Expenses	1,551,993		1,596,852	
Depreciation	1,755,800		1,852,549	
Net Income/(Loss)	<u>(797,094)</u>		<u>(948,648)</u>	

Source: Finance and Budget Responsibility Report

Audit Objectives

The purpose of the audit was to determine if:

1. Locker rental and moorage revenue are complete and accurate
2. Payments are properly receipted and safeguarded
3. The Marina Management System provides adequate segregation of duties to ensure proper accountability of revenue, as well as the management tools necessary to effectively manage marina operations

Audit Scope

The scope of the audit covered the period 2008 through 2009.

Audit Approach

To accomplish our objectives, we performed the following audit procedures:

- Obtained a complete understanding of the department's operations and the significant compliance requirements
- Reviewed department controls related to the audit areas
- Obtained and analyzed relevant financial and non-financial data
- Performed audit procedures to achieve the audit objective

Conclusion

Locker revenue was found to be complete and accurate; however, we noted concerns associated with the internal controls over the completeness and accuracy of moorage revenue and payments. Additionally we noted opportunities to strengthen the efficiency of the Marina Management System, which have been communicated to management in a separate letter.

Summary of Findings and Recommendations

1. Ineffective Internal Controls to Ensure Complete and Accurate Moorage Revenue

The internal controls in place are not adequate to ensure that all moorage vessels are billed or receipted. Currently, Fishermen's Terminal performs an effective manual boat-check each day to document which vessels are in the marina on that date. The boat-check identifies and captures necessary information (e.g., the vessel name and the dock location) to establish complete moorage billing, but the manual boat-checks are never formally reconciled to the Marina Management System. A lack of a formal reconciliation increases the risk that billable vessels will not be billed for their moorage. We corroborated this risk with detailed tests of transactions, which revealed that eight moored vessels (approximately 3% of the sample selected) were never billed for their moorage. We tested 266 of the nearly 8,000 moorage transactions billed by Fishermen's Terminal during the audit period.

We also noted that payments specific to guest moorage cannot be substantiated as being complete or accurate. Guest moorage customers are infrequent or first-time visitors, who are not established in the Marina Management System (MMS) as a customer. Their visits are short-term in nature, and they must pre-pay for their moorage in the Fishermen's Terminal office rather than receive a bill in the mail. The available receipting documentation, retained by the department, does not contain sufficient information to allow corroboration as to completeness or to determine that the correct amount was charged. Specifically, the information on the receipt document is insufficient and cannot be matched or traced to the boat-check.

Guest moorage is a small portion of the total moorage revenue recognized by the department, but it is an area most vulnerable to risk. The risk is further complicated by the fact that all Fishermen's Terminal staff has 24/7 access to the office, and the authority to collect customer payments. In the absence of complete guest moorage information, there is a risk of misappropriation as payments cannot be verified as having been paid or that the right amount was paid. We have no evidence to suggest that such an incident has occurred, but the current control environment prevents us from providing reasonable assurance to the contrary.

The Commission approved Tariff states that moorage is to be assessed on any vessel staying at Fishermen's Terminal. However, current procedures do not provide assurance that all moored vessels are completely and accurately billed.

Recommendation

We recommend:

- Management should strengthen its monitoring of the billing process to include a formal reconciliation of the manual boat-check to ensure complete billing of all moored vessels.
- Current procedures and documentation be revised to allow for effective monitoring of guest moorage payments. Specifically, receipt documentation should contain sufficient information to allow easy reconciliation or verification back to the boat-checks. Sufficient information and reconciliation would ensure that all guest moorage customers have paid the correct amount for their moorage.

Department Response

The Moorage Coordinator will complete a formal reconciliation of the manual boat-check to ensure complete billing of all moored vessels twice a week. As a process, this will be reviewed for accuracy on a monthly basis by the Business and Operations Manager.

Fishermen's Terminal is currently working to produce a guest moorage envelope which will allow for the effective reconciliation of guest moorage payments. This envelope will be numbered and will require the customer to provide necessary information for the Marina Management System. This will allow for the Moorage Coordinator to easily reconcile guest moorage payments with the daily boat check.