

## MINUTES OF SILVERDALE PORT MEETING ON October 30, 2019

Commissioners Scholfield called the meeting to order at 11:11AM at the Port office – 3550 NW Byron Street, Silverdale, WA. It was explained that the meeting was being held to discuss the outcome of the recent 2017/2018 State Audit. The Waiver of Notice of Special Meeting was signed by all three Commissioners and a Notice of the Special Meeting was taped to the Port office door a day prior to the meeting, both of which are attached hereto. Also in attendance were: Commissioner Aus; Commissioner Reese; Attorney Phil Best; Administrator Theresa Haaland; Cheryl Friesen, Washington State Auditor's Office Assistant State Audit Manager; and Tammy Lane, Washington State Auditor's Office Assistant State Auditor.

Ms. Lane provided everyone with an Accountability Audit Report packet. She explained that the audit conducted was an accountability audit for the period of January 1, 2017 through December 31, 2018 focusing primarily on three areas: Accounts payable; Payroll; and Procurement. Overall it was a clean audit with an outcome of two recommendations.

The first item was regarding Procurement: Small Works Roster (SWR). The Port was out of compliance with the procurement requirements stated in RCW 39.04.155 by not ensuring a list of contracts completed using the SWR was available annually. It was recommended that the Port ensure compliance with all requirements when using the Small Works Roster. It was explained that the Port has since compiled a list of all the jobs that were awarded using the SWR going back to 2017 and intends to keep the list updated.

The second item Ms. Lane reported was regarding Procurement: A&E Contract. She explained that when the Port procured an Architectural and Engineering (A&E) firm (Rice Fergus Miller) it did not ensure the request was publicized as required by RCW 39.80.030 and did not retain documentation of the review of qualifications for each firm as required by RCW 39.80.040. Also, the Port's internal procurement and purchasing policies are not in accordance with the RCW for A&E procurement as anytime A&E is being procured it must be publicized or it can be an annual publication, but the Port did neither and the internal policy doesn't include this requirement. It was recommended that the Port ensure compliance with all requirements for procuring A&E firms and when deciding on which firm to hire all the documentation on how that determination was made must be retained. It was further recommended that the Port ensure the internal procurement and purchasing policies are in accordance with applicable RCW's.

Using the Municipal Research and Services Center (MRSC) was discussed as it may be beneficial since they complete all the required publicizing, etc. Commissioner Scholfield said that he had looked into using the MRSC at one time, but most of the businesses on it are not local to the

Kitsap area. It was agreed that the Port could still use its SMR, but also use the MSRC to make sure the requirements are covered. The Port rarely has projects over the \$40,000 threshold, but with the possible upcoming projects if Recreation Conservation Office (RCO) funding is obtained this is definitely something the Port will want to consider.

It was explained that a couple questions had arisen since the audit took place and since the two auditors were in attendance at today's Special Meeting it was thought best to discuss these items now.

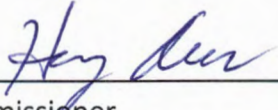
It was questioned if it would be allowed for a Port contractor to have the ability to use the Port's line-of-credit with a local business since it saves the Port the twenty percent markup that the contractor will add to the needed material. Ms. Friesen said that there may not be a specific statute that doesn't allow for it, but she sees a lot of risk and would caution it. There is also the issue that the contractor could use the Port's information to receive discounts when paying with cash. These are all things that would need to be heavily monitored and Ms. Friesen suggested legal counsel provide the final okay.

The second question was if the Port's contracted attorney could be reimbursed for mileage and meals when he attended a recent Small Ports Seminar in Leavenworth that the Commissioners requested him to attend. Ms. Lane said that it should be within the contract as to what is paid. Since the Port had requested him to attend it was thought that reimbursing him for meals and travel expenses was feasible.

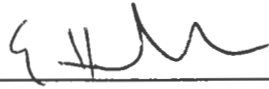
The Ports relationship with Kitsap Sailing and Rowing (KSRF) and Clam Island Rowing (CIR) was discussed. It was explained to the auditors that at the end of 2017 the Department of Revenue conducted a leasehold/excise tax audit on the Port. They concluded that the Port was renting the boats and equipment to the two agencies well below fair market value, which in turn lessened the amount of taxes due to the State. Then it was decided not to enter into a new lease but rather just have the two agencies run the programs on behalf of the Port and so the Port ended up paying the back leasehold excise tax that was due and through 2018. It has since been determined that since the Port is not involved with the revenue and expenses the programs generate, technically it is not a Port program and a lease needs to be in place. Commissioners recently decided to have the new lease drawn up for 2019 and the Port will be responsible for maintaining the safety boats, trailers and boat motors and will reimburse both KSRF and CIR for any costs associated with those items in 2019. Ms. Friesen explained that in the future they will audit to the contract, so it should be clearly outlined within the lease agreement and it should also state the Port's benefit to what is being given to the volunteers to avoid the appearance of a gift of public funds. Again, she suggested legal counsel be involved with the final outcome of the lease.

Ms. Lane and Ms. Friesen thanked the Commissioners, staff and legal counsel for their time.

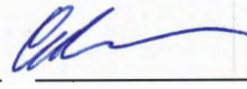
*At 12:14PM the meeting adjourned* (motion by Aus, second by Reese, unanimous).



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Commissioner



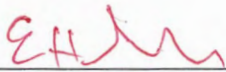
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Commissioner



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## WAIVER OF NOTICE OF SPECIAL MEETING

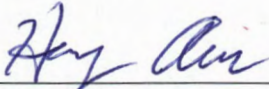
The undersigned, Port Commissioners for the Port of Silverdale, hereby waive the requirement of notice in writing of the special meeting of the Port of Silverdale held on 10/30/2019, at 11:00AM Port of Silverdale, office, is present at such meeting, and agrees to the conduct of the Port business as announced by the President in calling this meeting.



Commissioner



Commissioner



Commissioner

# NOTICE OF SPECIAL MEETING

## OF THE SILVERDALE PORT DISTRICT

A SPECIAL MEETING OF THE SILVERDALE PORT COMMISSION WILL BE HELD HERE AT THE PORT OFFICE ON WEDNESDAY, OCTOBER 30, 2019 @ 11:00AM TO DISCUSS THE OUTCOME OF THE RECENT 2017/2018 AUDIT. STATE AUDITOR'S OFFICE PERSONNEL WILL ALSO BE ATTENDING.