


Risk Assessment Inquiry with Management

Below are minimum extent of inquiry, although not every question will be applicable to every person we interview. Financial Reporting questions are not required to be included if not performing a financial statement audit. Auditors are not limited to these questions nor to only asking the questions based on the audit type being performed.

Inquiry with: (name & position)		Jay Personius, General Manager	Date:	12/30/2020
Question			Summary of Response	
Controls				
1	Does anyone perform a risk assessment at the government-wide level of fraud, loss, noncompliance or misstated financial reports? If yes, is there written documentation available on the risk assessment?		Ad hoc. No risks noted.	
2	What processes (nature, extent and frequency) are in place to monitor whether internal controls are effective?		Ad hoc. No risks noted.	
3	Does anyone report periodically to the governing body (or audit committee, if applicable) about internal controls?		Typically Jay Personius, General Manager. On occasion, it can be the Port Auditor as well. No risks noted.	
4	Are you aware of any instances where normal controls or processes have been bypassed or over-ridden?		No. No risks noted.	
Financial Reporting (not required if not performing a financial statement audit)				
5	Were any new accounting standards or policies implemented? If so, do you have any concerns with these?		<i>Not applicable – no financial audit.</i>	
6	Have there been changes to key accounting software?			
7	Have there been changes to key accounting or other personnel?			
8	Are you aware of any potential pressures, motivations or requests to record inaccurate information, not record information or make unsupported changes to financial records or reports?			
9	Are you aware of any recorded transactions that are unusual or that may lack support?			
10	Are you aware of any disagreements about the correct accounting or reporting for any events or transactions?			
11	What financial statement balances or disclosures do you think are most at risk of being misstated? What has been done to mitigate these concerns when preparing statements this year?			
12	Are any financial performance measures or targets used by management or the governing body (ex: budget variances, etc)?			
Compliance				
13	Have there been any changes in programs or services offered, or new sources of revenues?		Nothing significant. No risks noted.	

Inquiry with: (name & position)		Jay Personius, General Manager	Date:	12/30/2020
Question			Summary of Response	
14	Have there been any new laws, regulations, contracts or grants since the last audit?		Shoreline master plan update – meant they needed to do something about the stormwater runoff from their lot, so they had to spend around \$130,000 to put in a trench system to guarantee the water would go back in and recharge the aquafer instead of having a chance of going into the bay. Hired an engineer, the engineer made some recommendations, they went through the procurement process (small works roster). There is a risk proper procurement procedures were not followed. <i>We will bring this to the brainstorm.</i>	
15	What laws, regulations or contracts do you think are most at risk of noncompliance? What has been done to mitigate these risks?		None. No risks noted.	
16	Are you aware of any potential noncompliance with laws, regulations, grants or contracts since the last audit?		No. No risks noted.	
Safeguarding of Public Resources				
17	Have you identified any business risks that might significantly affect operations or financial condition? What has been done to mitigate these risks?		Per Jay Personius, General Manager, COVID-19 did not have a significant impact on the Port. This was in part due to the Port's strong cash balance, as noted at [ Financial Intelligence Tool]. <i>No risks noted.</i> The Port relies heavily on clamming, especially manila clamming. Per Jay Personius, General Manager, if shellfish toxins reached levels that closed clamming, it would have a massive impact on the Port's financial condition. This is outside of the Port's control, there are no current signs of clamming closing, and the Port has built up a strong cash balance to help mitigate this risk. Therefore, we passed on further review. No risks noted.	
18	How does management communicate policies on acceptable business practices and ethical behavior to employees (e.g. training or awareness programs)? Are you aware of any violations of these policies? Are employees provided an anonymous way to report suspected violations?		They have monthly meetings to go through ethical practices, policies, procedures. They have a small staff (5 employees), so all are aware of expectations. No known violations. Box where they can put any violations. This goes to the Board chair. No risks noted.	
19	What specific areas or locations do you think are most at risk of fraud or loss? What has been done to mitigate these concerns?		Fuel is always a concern, because it is so much money. It is a dynamic process. There is a risk fuel controls are not adequate to safeguard public funds. <i>We will bring this risk to the brainstorm.</i>	
20	Are you aware of any actual, alleged or suspected instances of fraud or loss since the last audit?		No. No risks noted.	

Inquiry with: (name & position)		Jay Personius, General Manager	Date:	12/30/2020
Question			Summary of Response	
21	Considering other audits that you have already had and the results of those audits, is there any area of concern you would like us to follow up on or incorporate in our audit?		No. No risks noted.	
22	Is there anything else we should be aware of?		No. No risks noted.	

Risk Assessment Inquiry with Management

Below are minimum extent of inquiry, although not every question will be applicable to every person we interview. Financial Reporting questions are not required to be included if not performing a financial statement audit. Auditors are not limited to these questions nor to only asking the questions based on the audit type being performed.

Inquiry with: (name & position)		Cindy Bade Port Auditor	Date:	1/11/2021
Question			Summary of Response	
Controls				
1	Does anyone perform a risk assessment at the government-wide level of fraud, loss, noncompliance or misstated financial reports? If yes, is there written documentation available on the risk assessment?		Ad hoc basis. No risks noted.	
2	What processes (nature, extent and frequency) are in place to monitor whether internal controls are effective?		Ad hoc basis. No risks noted.	
3	Does anyone report periodically to the governing body (or audit committee, if applicable) about internal controls?		Cindy would report to Jay, Jay would report to the Board. No risks noted.	
4	Are you aware of any instances where normal controls or processes have been bypassed or over-ridden?		No. No risks noted.	
Financial Reporting <i>(not required if not performing a financial statement audit)</i>				
5	Were any new accounting standards or policies implemented? If so, do you have any concerns with these?		Not applicable – no financial audit.	
6	Have there been changes to key accounting software?			
7	Have there been changes to key accounting or other personnel?			
8	Are you aware of any potential pressures, motivations or requests to record inaccurate information, not record information or make unsupported changes to financial records or reports?			
9	Are you aware of any recorded transactions that are unusual or that may lack support?			
10	Are you aware of any disagreements about the correct accounting or reporting for any events or transactions?			
11	What financial statement balances or disclosures do you think are most at risk of being misstated? What has been done to mitigate these concerns when preparing statements this year?			
12	Are any financial performance measures or targets used by management or the governing body (ex: budget variances, etc)?			

Inquiry with: (name & position)		Cindy Bade Port Auditor	Date:	1/11/2021
Question			Summary of Response	
Compliance				
13	Have there been any changes in programs or services offered, or new sources of revenues?		New pavilion that they rent out. We followed up asking how much revenue this would bring in and Cindy stated it would only have brought in a few hundred. Due to the trivial amount, we passed on further review. No risks noted.	
14	Have there been any new laws, regulations, contracts or grants since the last audit?		No. No risks noted.	
15	What laws, regulations or contracts do you think are most at risk of noncompliance? What has been done to mitigate these risks?		None. No risks noted.	
16	Are you aware of any potential noncompliance with laws, regulations, grants or contracts since the last audit?		No. No risks noted.	
Safeguarding of Public Resources				
17	Have you identified any business risks that might significantly affect operations or financial condition? What has been done to mitigate these risks?		No. No risks noted.	
18	How does management communicate policies on acceptable business practices and ethical behavior to employees (e.g. training or awareness programs)? Are you aware of any violations of these policies? Are employees provided an anonymous way to report suspected violations?		Employee handbook is given out when they start. No. Yes, there is a suggestion/grievance box that employees can drop something in anonymously. It is in Cindy's office, and she is the only one that gets the slips out. No risks noted.	
19	What specific areas or locations do you think are most at risk of fraud or loss? What has been done to mitigate these concerns?		No. No risks noted.	
20	Are you aware of any actual, alleged or suspected instances of fraud or loss since the last audit?		No. No risks noted.	
21	Considering other audits that you have already had and the results of those audits, is there any area of concern you would like us to follow up on or incorporate in our audit?		No. No risks noted.	
22	Is there anything else we should be aware of?		No. No risks noted.	

Risk Assessment Inquiry with Governing Body / Audit Committee

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Inquiry with: (name & position)	Commission Chair Phil Martin	Date:	1/7/2021
Question		Summary of Response	
Financial Reporting <i>(not required if not performing a financial statement audit)</i>			
1	<p><i>Entity management is responsible for preparing financial statements. The governing body (or audit committee) is responsible for oversight of financial reporting.</i></p> <p>Are you aware of any potential pressures, motivations or requests for management to record inaccurate information, not record information or make unsupported changes to financial records or reports?</p>	No. No risks noted.	
2	<p>Have you identified any business risks that might significantly affect operations or financial condition? If so, what has been done to mitigate these risks?</p>	No. No risks noted.	
3	<p>Is there anything reported in the financial statements that seems unusual or unreasonable, based on your understanding?</p>	No. No risks noted.	
Compliance			
4	<p>Are you aware of any potential or actual noncompliance with laws, regulations, grants or contracts since the last audit?</p>	No. No risks noted.	
Safeguarding of Public Resources / Monitoring Activities related to Fraud - <i>For purposes of the following questions, the term "fraud" involves actions that result in a misstatement in financial statements due to fraudulent financial reporting or misappropriation of assets.</i>			
5	<p><i>Entity management is responsible for identifying, responding to and monitoring the risks of fraud in the entity, including any specific risks that have been previously identified or brought to its attention. The governing body (or audit committee) is responsible for oversight of controls and processes established by management in these areas.</i></p> <p>How does your group oversee the management's risk assessment and monitoring of internal controls related to fraud and safeguarding of public resources (e.g. reviewing reports from management or risk managers, conversations with management or department heads, holding work sessions related to risk assessment or control monitoring results)?</p>	<p>If there are any issues, Jay will communicate them to the Commission.</p> <p>During monthly meetings, the Commission reviews expenditures, and Phil would be aware of anything that seemed risky related to payments early as he signs all the checks.</p> <p>No risks noted.</p>	

Inquiry with: (name & position)		Commission Chair Phil Martin	Date:	1/7/2021
Question			Summary of Response	
6	Does anyone report periodically to the governing body (or audit committee) about risk assessments related to fraud or safeguarding of public resources and any identified issues?		Chair opens the meeting, asks for comments from the other 2 Commissioners for input. They have a Harbor Master who gives a report on ongoing projects, then Cindy, Finance gives her report, which they then discuss a little. Then Jay gives an update on what is going on and informs them of anything they had previously needed to be notified about and keeps them up to date on what is going on. No risks noted.	
7	Auditing standards require us to ask your views on what areas might be at highest risk for potential fraud and if you are aware of any actual, suspected or alleged fraud. <i>We have asked this same question of management and your answer also allows us to corroborate the information they have given us. RCW 43.09.185 also requires reporting of known or suspected loss of public funds or assets or other illegal activity to our Office on an ongoing basis.</i>		No. No risks noted.	
8	Considering other audits that you have already had and the results of those audits, is there any area of concern you would like us to follow up on or incorporate in our audit?		No. No risks noted.	
9	Is there anything else we should be aware of?		No. No risks noted.	

Due to the citizen's concern, we ask the Commissioner an additional question:

Does the Port have any additional compensation, bonuses, extra pay, or incentive programs?

In 2019, the Port was in a situation where they didn't quite need another employee, but had additional work to complete. This was due to one employee being gone because of medical related items. Due to this situation, all the employees stepped up to help with different additional tasks outside of their normal work. Phil stated he didn't consider this as a bonus, but as an adjustment for additional items they had done on an hourly basis. We noted in our payroll trend, all employees were paid this additional amount in increments of \$1,000. Therefore, it doesn't appear that the amount they were paid was calculated on an hourly basis. In addition, it is unclear if this was allowable. *We will bring these risks to the brainstorm.*