

Washington State Auditor's Office
Accountability Audit Report

**Grays Harbor Historical Seaport
Authority**
Grays Harbor County

Report Date
February 19, 2013

Report No. 1009258

Issue Date
March 11, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

March 11, 2013

Board of Directors
Grays Harbor Historical Seaport Authority
Aberdeen, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your Authority to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Grays Harbor Historical Seaport Authority's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style.

TROY KELLEY
STATE AUDITOR

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Grays Harbor County
February 19, 2013**

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Audit Summary

Grays Harbor Historical Seaport Authority Grays Harbor County February 19, 2013

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the Grays Harbor Historical Seaport Authority from January 1, 2010 through December 31, 2011.

We evaluated internal controls and performed audit procedures on the activities of the Authority. We also determined whether the Authority complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Open public meetings
- General revenue and expenditures
- Key system controls
 - Cash receipting
 - Donations
 - Payroll
 - Disbursements
- Financial condition
- Safeguarding of assets/property
- Contracts and agreements
- Payroll
- Conflict of interest
- Donations

RESULTS

In most areas, the Authority complied with state laws and regulations and its own policies and procedures.

We also noted certain matters that we communicated to Authority management. We appreciate the Authority's commitment to resolving those matters.

Description of the Authority

Grays Harbor Historical Seaport Authority Grays Harbor County February 19, 2013

ABOUT THE AUTHORITY

The Grays Harbor Historical Seaport Authority was created, as a public corporation by the city of Aberdeen under the provisions of state law (RCW 35.21.730-755) on October 20, 1986. The Authority began operations in 1987 with the purpose of building and operating a full-scale reproduction of the brig Lady Washington and the Hawaiian Chieftain.

In addition, the Authority's goal was to build and operate a maritime museum to promote tourism and economic development in the Grays Harbor area and to provide educational programs for schools and communities. The Authority provides a range of services including Lady Washington and Hawaiian Chieftain passages, tours and charters, student educational training programs, longboat programs and merchandise sales.

An appointed, nine-member Board of Directors administers the Authority. The Mayor of Aberdeen appoints Board Members based on current Board input. The Authority has a full-time Executive Director and bookkeeper, two part-time office employees and a small ship crew of volunteer and paid employees.

The Authority operated on an annual budget of approximately \$1 million in 2010 and \$900,000 in 2009. Current funding is provided primarily from ship tours, sails and education programs. Before the launch of Lady Washington, a funding shortfall necessitated a loan from the city of Aberdeen, which has since been repaid in full.

APPOINTED OFFICIALS

These officials served during the audit period:

Board of Directors:

Alex Kluh
Bonnie Arel
David Cottrell
Dee Harrington
Dennis Crowley
Laurie Rust
Paul O'Brien
Les Bolton

Executive Director

Note: Two Board positions were vacant during the audit period.

AUTHORITY CONTACT INFORMATION

Address: Grays Harbor Historical Seaport Authority
P.O. Box 2019
Aberdeen, WA 98520

Phone: 800-200-5239

Website: www.historicalseaport.org

AUDIT HISTORY

Typically, we audit the Authority every two years. Prior audits reported several findings, as noted below:

- The 2005 audit reported a finding for a lack of controls over expenditures, which has been resolved.
- The 2006-2007 audit reported a finding for inadequate controls over financial operations, which has been resolved.
- The 2008-2009 audit reported a finding for financial condition. The Authority has taken steps to improve its financial condition. However, we noted certain issues in this area that we have communicated to management.

Status of Prior Audit Findings

Grays Harbor Historical Seaport Authority Grays Harbor County February 19, 2013

The status of findings contained in the prior years' audit reports of the Grays Harbor Historical Seaport Authority is provided below:

1. The Authority had insufficient funds to cover operating expenses and its financial position continues to decline.

Report No. 1004995, dated January 31, 2011

Background

During prior audits, we noted concerns regarding the Authority's financial condition. These concerns continue. The Authority's ending cash balance was as follows:

| Fiscal Year | General Fund Ending Balance |
|-------------|-----------------------------|
| 2006 | \$ 53,180 |
| 2007 | \$ 75,303 |
| 2008 | \$ 99,128 |
| 2009 | (\$ 24,090) |

We also found the Authority:

- Had an ending cash balance of negative \$5,898 as of December 7, 2010.
- Opened a \$75,000 line of credit for operating expenses on December 28, 2009. As of September 30, 2010, the Authority had withdrawn the total amount.

Based on projections of revenue and expenditures through the end of the fiscal year, the Authority stated its 2010 ending cash balance would be at \$0.

Status

The Authority has taken steps to improve its financial condition; however, we noted certain issues in this area that we have communicated to management.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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