



**AGENDA FOR
PORT OF ILLAHEE COMMISSION
Wednesday, MAY 10TH - 6:30PM
ZOOM MEETING #715 0997 5823 / Password: Illahee**

1. CALL TO ORDER

2. CONSENT AGENDA

1. Agenda
- *2. The April 12th, 2023 Regular Meeting minutes
- *3. Pay Bills with check numbers 5028 through 5037 totaling \$ 4,419.34

3. SIGNING OF DOCUMENTS

Determine when/how to have at least 2 Commissioners sign the documents

4. PUBLIC COMMENT

5. REPORTS/UNFINISHED BUSINESS

Aho/ 1. Grants/Waterfront Access Improvements

- Piccone
- Status of project permits and design
 - Any response from the Tribe?
 - Status of the new BFP Grant application for piling replacement/other funding
 - Any update on the County's filtration project
 - *John Piccone Project Status Summary

Aho/ 2. Illahee Store Project

- Piccone
- Status of the topographical survey
 - Store Renovation Plan (conceptual) and Permit Assumptions
 - Septic design status
 - Vapor testing conducted
 - PLIA Remediation

3. Treasurer's Report as of April 30th, 2023 General Fund \$ 121,555.86 ; Investments \$ 282,104.40
Good Property Management (GPM) Account \$199.00 (total: \$403,859.26)

Reese 4. State Audit for January 2019 through December 2021

- *Audit Exit Letter and Accountability Audit Report



**AGENDA FOR
PORT OF ILLAHEE COMMISSION
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5. REPORTS/UNFINISHED BUSINESS CONTINUED

5. Reports

Aho

a. Website

– Anything to report?

Buesch

b. Properties

5560 Ocean View Boulevard/Rental

--Water Heater?

*-- Mr. Fix It NW repairs complete.

5500 Illahee Road/Rental

– Anything to report?

5507 Illahee Road/Illahee Store Property

*–Metal covering pothole, Commissioner Buesch repaired.

Illahee Road Lot

– Anything to report?

c. Dock/Pier

Rupert

– Anything to report

Tabled **6. Surveillance cameras**

6. PUBLIC COMMENT

7. ADJOURN – Regular Meeting –June 14@ 6:30PM – via ZOOM
Kitsap All Ports---July 30, 2023 @ 6:30PM at Port of Brownsville



Port of Illahee – Minutes of Regular Meeting on April 12, 2023

Port of Illahee
Minutes of Regular Meeting
April 12, 2023

The Regular Port of Illahee meeting was held virtually through the ZOOM app (meeting id# 71509975823 / Password: Illahee). Notice of the virtual meeting was posted near the kiosk at the head of the pier and on the Port's website – portofillahee.com.

CALL TO ORDER

Commission Chairman James Aho called the meeting to order at 6:30 PM. Also, in attendance were Commissioner Jonathan Buesch; Commissioner Jeffrey Rupert; Administrators Caleb Reese & Jennifer Olson; John Piccone; Roy Barton; John Parvis

CONSENT AGENDA

The following consent agenda items were approved: April Meeting Agenda; March 8th, 2023 Meeting Minutes; April 12, 2023 checks numbering 5011 through 5027 totaling \$22,136.98 as outlined in the attached Voucher Approval (motion by Buesch; second by Ruppert; unanimous).

SIGNING OF DOCUMENTS – Commissioners plan to stop by the Port of Silverdale office to sign documents tomorrow.

REPORTS/UNFINISHED BUSINESS

Grants/Waterfront Access Improvements –

John Piccone gave an update on the project status as follows:

Waterfront Improvement Project (Docks and Pier only);

The Corps acknowledged the letter from the attorney asking for a treaty rights determination on 2-10-23 however, their response clearly indicated that they did not expect to meet the 60-day timeline (which is approximately now). We plan to send an email correspondence within the next week inquiring on status. That said, without any further pressure on the Corps I believe it could take an extremely long time for further response from the Corps or the Tribe. The Corps specific response was as follows: "Although we will not be able to render a permit decision on this matter within 60 days, I have move this project up in the queue of pending treaty right effect determinations. The treaty right effect analysis is inherently complex and this particular application raises additional complexities. I intend to prioritize this application ahead of private and residential applications with objections, however I expect that significant time and resources will be needed to address the objections (if it cannot addressed directly between the applicant and the Tribe)."

I've been in communication with DNR regarding the renewal and update of the port's aquatic agreement. DNR will require a survey exhibit, which is standard practice, and both the land surveyor and the bathymetric surveyor are scheduled to complete this work over approximately the next month.

Waterfront Improvement Project (Upland improvements)

We are still waiting for comments from the County after submittal of the 95% design plans



Port of Illahee – Minutes of Regular Meeting on April 12, 2023

for the upland improvements. The County has indicated that the SDAP permit status is now “under review”. Once we receive comments back from the County and make any minor revisions they will likely ask for, I’ll be able to finalize 100% plans and submit them for the building permit. Once the building permit is complete, we can discuss a more detailed schedule for either putting the upland work out for bid without the inclusion of the pier and docks or waiting for the Corps/Tribe and bidding the entire waterfront project as the single project originally planned.

Pier Piling Repair

The final RCO grant presentation was held on February 14th as previously discussed and we received preliminary scoring from RCO in late February. Illahee’s pile replacement grant request ranked #11 overall and I’m happy to report that RCO has said they expect at least the top 12 projects to fall within funding range. Although this is not an official confirmation that funding will be provided for piling replacement, I believe it is safe to move forward optimistically that funding is expected to be available. We also have all permits secured for this work, so at this point it is just a matter of finalizing issues with the Tribe on the waterfront project and then incorporating pile replacements into that project or deciding to move forward on the piling replacement separately from the waterfront project.

Store Site Renovation:

Jim and I had a preliminary meeting with Kitsap County on March 15 to begin discussing the Port’s store renovation plans and confirm that there are no significant permit reviews or requirements needed to simply renovate the store back to a usable building that can be

leased as a mercantile.

On March 21 Jim and I spent some time walking through the store building and discussing the various items that could be done to bring the building up to a leasable state. I then sent a follow up letter to the County summarizing those items (letter attached). I’ve had no response from the letter to date. I’m not sure if it makes sense to move forward on work associated with the store site until the PLIA work is complete however, I’m not aware of any reason the port can’t move forward with the renovation items listed in the attached letter. It would be a good idea to see if the Port can get any form of schedule estimation from PLIA. I will stand by on any further tasks related to the store renovation pending further discussion of port plans and clarity on my related scope of work going forward if desired. Upcoming Milestones and Action Items Discuss options to move the process with the Tribe and Corps forward so that the entire waterfront park can potentially be constructed in a single phase (which would be more ideal if possible). Inquire with Kitsap County on SDAP comment status if we have not had any word back in April.

Finalize survey exhibit for DNR and submit formal request for renewal and revisions to aquatic agreement.

Comments on John Piccone’s report

There was much discussion about what improvements the Port should make to the store building to prepare it for rental. (Electrical, Restroom, Plumbing, HVAC, Windows, Sheetrock, Flooring, etc.) There was discussion concerning whether or not the Port should limit John Piccone’s involvement with the store building.



Port of Illahee – Minutes of Regular Meeting on April 12, 2023

There was discussion concerning hiring a General Contractor to do all the renovations, but it was brought up if it was one contract it will be over \$300,000.00 so formal bid process would be involved.

It was decided to get a Septic and drain field design as the next step and Jim will meet with Jeff at the Store to show him where the tank and drain field are located.

Reports

Treasurer's Report

As of March 31, 2023 the General Fund totaled \$102,593.42, Investments totaled \$281,540.02 and the balance of the Good Property Management (GPM) account totaled \$199.00 for a total of \$384,332.44.

State Audit

Management Representation letter and audit findings were discussed. Commissioner Aho thinks the Port might want to use the MRSC work roster in the future. And will provide a written response to the audit.

Properties-

5560 Oceanview Blvd- Commissioner Buesch Requested a check for half down for "MR FIX-IT" Punch List. Check to be approved at this meeting. Administrator Reese has been in contact with GPM concerning water heater bill from Collins Plumbing to determine why bill is so much more than estimate. Commissioner Buesch also has been in contact with Enduris to see if they will cover water damage on the punch list.

Dock/Pier

Commissioner Rupert reset the light timers for Daylight savings time. Commissioner Aho put dock ramp back straight on the tracks.

There was discussion about fixing railing it was cautioned to not spend a lot of money on parts of the dock that are going to be replaced in the dock improvement project.

New Business

Commissioner Rupert requested two extra stipends for work that he had done on the lights on the pier. Discussion followed *Motion to pay Commissioner Rupert one stipend extra (motion Aho; second Buesch; Rupert abstained; motion carried)*

Resolution 2023-3- Procurement Policies and Procedures

Commissioner Aho asked if there were any comments or changes- none noted *Motion to accept Resolution 2023-03, Procurement Policies and Procedures (motion Buesch; second Rupert; all in favor).*

Public Comment

Roy Barton- Mr. Barton is leary that there is not enough money for the Port of Illahee to finish the store improvements. Mr. Barton asked if we could contact PLIA (Grant) and ask when the work will be completed.

Commissioner Buesch is in favor of selling lot, (adjacent to store) once port determines it isn't needed for septic /drain field improvements.



Port of Illahee – Minutes of Regular Meeting on April 12, 2023

ADJOURN

At 9:11 PM the meeting adjourned (motion Buesch; second Rupert; all in favor).

Approved:

Commissioner

Commissioner


Commissioner

DRAFT

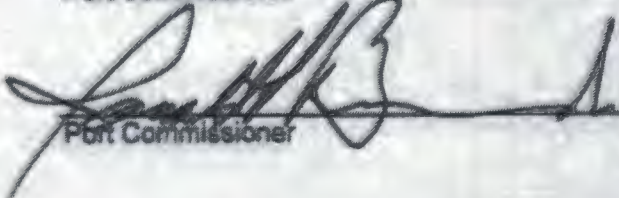


VOUCHER APPROVAL

We, the undersigned Board of Commissioners of the Port of Illahee, Kitsap County, Washington, do hereby certify that the merchandise and/or services hereinafter specified have been received and that the vouchers listed below are approved for payment in the amount of \$22,136.98 and from the General Fund, this 12TH day of APRIL 2023


Port Auditor


Port Commissioner


Port Commissioner

Number	Name	Amount
5011	JAMES AHO	256.00
5012	JEFFREY S. RUPERT	256.00
5013	JONATHAN BUESCH	256.00
5014	PORT OF SILVERDALE	750.00
5015	ALL LAWN MAINTENANCE	175.00
5016	BANK OF AMERICA	6,069.18
5017	BREMERTON BACKFLOW SERVICES	100.00
5018	CASCADE NATURAL GAS	5.00
5019	CSD ATTORNEYS AT LAW	162.94
5020	GOOD PROPERTY MANAGEMENT	2,025.22
5021	HONEY BUCKET	125.50
5022	NORTH PERRY AVENUE WATER DISTRICT	106.92
5023	PUGET SOUND ENERGY	121.27
5024	SOUNDWEST ENGINEERING ASSOCIATES	10,336.25
5025	WASHINGTON STATE DEPARTMENT OF REVENUE	0.00
5026	WASTE MANAGEMENT	24.24
5027	WASHINGTON STATE DEPARTMENT OF REVENUE	1,367.46

Date: April 12, 2023
To: Port of Illahee Board of Commissioners
From: John Piccone, P.E., Soundwest Engineering Assoc.
Subject: Projects Status Summary

Waterfront Improvement Project (Docks and Pier only);

- The Corps acknowledged the letter from the attorney asking for a treaty rights determination on 2-10-23 however, their response clearly indicated that they did not expect to meet the 60-day timeline (which is approximately now). We plan to send an email correspondence within the next week inquiring on status. That said, without any further pressure on the Corps I believe it could take an extremely long time for further response from the Corps or the Tribe. The Corps specific response was as follows:
 - *“Although we will not be able to render a permit decision on this matter within 60 days, I have move this project up in the queue of pending treaty right effect determinations. The treaty right effect analysis is inherently complex and this particular application raises additional complexities. I intend to prioritize this application ahead of private and residential applications with objections, however I expect that significant time and resources will be needed to address the objections (if it cannot addressed directly between the applicant and the Tribe).”*
- I’ve been in communication with DNR regarding the renewal and update of the port’s aquatic agreement. DNR will require a survey exhibit, which is standard practice, and both the land surveyor and the bathymetric surveyor are scheduled to complete this work over approximately the next month.

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- We are still waiting for comments from the County after submittal of the 95% design plans for the upland improvements. The County has indicated that the SDAP permit status is now “under review”. Once we receive comments back from the County and make any minor revisions they will likely ask for, I’ll be able to finalize 100% plans and submit them for the building permit.
- Once the building permit is complete, we can discuss a more detailed schedule for either putting the upland work out for bid without the inclusion of the pier and docks or waiting for the Corps/Tribe and bidding the entire waterfront project as the single project originally planned.

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- We also have all permits secured for this work, so at this point it is just a matter of finalizing issues with the Tribe on the waterfront project and then incorporating pile replacements into that project or deciding to move forward on the piling replacement separately from the waterfront project.

Store Site Renovation:

- Jim and I had a preliminary meeting with Kitsap County on March 15 to begin discussing the Port's store renovation plans and confirm that there are no significant permit reviews or requirements needed to simply renovate the store back to a usable building that can be leased as a mercantile.
- On March 21 Jim and I spent some time walking through the store building and discussing the various items that could be done to bring the building up to a leasable state. I then sent a follow up letter to the County summarizing those items (letter attached). I've had no response from the letter to date.
- I'm not sure if it makes sense to move forward on work associated with the store site until the PLIA work is complete however, I'm not aware of any reason the port can't move forward with the renovation items listed in the attached letter. It would be a good idea to see if the Port can get any form of schedule estimation from PLIA. I will stand by on any further tasks related to the store renovation pending further discussion of port plans and clarity on my related scope of work going forward if desired.

Upcoming Milestones and Action Items

- Discuss options to move the process with the Tribe and Corps forward so that the entire waterfront park can potentially be constructed in a single phase (which would be more ideal if possible).
- Inquire with Kitsap County on SDAP comment status if we have not had any word back in April.
- Finalize survey exhibit for DNR and submit formal request for renewal and revisions to aquatic agreement.

Permit Status Summary – All Projects

Waterfront Access Project

Permit	Submittal Date	Permit Issued	Permit Status	Design Status
SSDP	8-19-21	8-4-22	Complete. SSDP staff report notice of decision received.	60% Design Complete and submitted for permit.
HPA	Delayed	---	Submittal of permit application pending resolution with Suquamish Tribe.	Pending resolution with Suquamish Tribe.
NWP	8-17-21	Delayed	Finalization of permit review pending resolution with Suquamish Tribe.	Pending resolution with Suquamish Tribe.
SDAP	2-7-23	---	Submittal of permit application complete, waiting for review comments	95% Design Complete for upland elements only to submit SDAP.
BP	Anticipated Mar. - July 2023	---	Submittal to follow SDAP after preliminary comments.	
ROW	Anticipated Mar. - July 2023	---	Submittal to follow SDAP after preliminary comments.	
FIRE	Anticipated Mar. - July 2023	---	Submittal to follow SDAP after preliminary comments.	

SSDP – Substantial Shoreline Development Permit (Kitsap County)

HPA – Hydraulic Project Approval (WDFW)

NWP – Nationwide Permit 3 (USACE)

BP – Building Permit (Kitsap County)

ROW – Right of Way (Kitsap County)

Fire – Fire Code Permit (Kitsap County)

Pile Replacement Project

Permit	Submittal Date	Permit Issued	Permit Status	Design Status
Shoreline Exemption	9-22-22	2/15/23	Staff Report Issue, Pending 14 day appeal period ending 2/15/23	30% Design Completed for Permit submittal.
NWP3	9-22-22	11-21-22	Complete. Permit issued by USACE.	30% Design Completed for Permit submittal.
HPA	2020	2/14/20	Maintenance permit, expires 2/12/25	----

Date: March 22, 2023
To: Renea Nolan, Kitsap County
From: Jim Aho, Port Commissioner & John Piccone, Port Engineer
Subject: Store Renovation Plan (Conceptual) and Permit Assumptions

1 INTRODUCTION & PORT GOALS

More Than a Store – A Central Part of the Illahee Community: The center of Illahee has long been the Illahee Community Dock and the Illahee Store. The current 1970's store building replaced the 1930's store, which is upland from the 1916 Illahee Dock. When the store closed in the late 1990's due to contamination from leaking underground gas storage tanks, the Port persevered and was able to purchase it at a Sheriffs Sale in 2019, and at the same time secure cleanup funding from the State Pollution Liability Insurance Agency (PLIA). The Port's vision for the store is basically that of the last nearly 100 years, a gathering center and store (zoned mercantile) for residents and dock users. The Port envisions refurbishing the building to what it once was as soon as the contaminated tanks and pump island are removed and cleaned up by PLIA (anticipated by mid-2023).

2 BUILDING AND SITE OVERVIEW

Parcel. 4429-015-001-0309

Address. 5507 ILLAHEE RD NE BREMERTON WA 98311

Zoning. Neighborhood Commercial (NC)

Occupancy Classification. The building and site were permitted as a 2-employee convenience grocery store and fueling station in 1979, which is classified as Mercantile, "M", occupancy by IBC 2018.

Building Footprint. 1,600 square feet

3 REPAIR TASKS ANTICIPATED

The following is a concept level list of the tasks the Port hopes to undertake in its efforts to repair the store and reestablish the mercantile. The below tasks would be undertaken by the Port directly prior to any potential tenant improvements that may take place once a tenant is selected. The Port plans to lease the building to a third-party mercantile business once primary repairs are completed.

- **ELECTRICAL;** The existing electrical system is still mostly intact and believed to be partially usable. The Port anticipates hiring a licensed electrician to repair the systems generally in the same configuration. The main service panel and breaker panel would remain in its current location but some ceiling lights and outlets would likely need to be relocated.
- **PLUMBING;** The old bathroom and sinks were removed but the below slab pipework is intact. The Port would rebuild the bathroom in the same configuration and stub out prior sink drains elsewhere in the slab in the event the future tenant desires additional sinks. The existing septic system is still in place however, the Port is uncertain of it's condition.

If the septic system requires repair or replacement is something the Port plans to determine.

- HVAC; The prior HVAC system was removed (stolen) and the Port anticipates installing a new unit with ducting as required.
- FRAMING AND SHEETROCK; No structural framing is anticipated, interior partitions for the bathroom will be constructed as well as furring out the existing masonry walls for sheetrock. The existing truss ceiling will also receive sheetrock.
- INSULATION; All of the prior insulation was damaged and consequently removed, the Port anticipates installing new insulation throughout the building.
- WINDOWS; There were originally four windows on the north wall, two of them have been removed and framed in (original headers still in place). The Port anticipated installing four new windows in the same rough openings on the north wall. The Port is also considering adding a fifth window in the existing east wall (masonry bearing wall).
- DOORS; There is currently only one door which is a double hung commercial glass door. The Port anticipates keeping this door in place with only minor component repair if needed.
- FLOORING; The Port will likely want to add finish flooring material to the existing concrete slab.
- EXTERIOR; No major changes to the exterior are anticipated. The Port plans to make minor exterior trim repairs and repaint the entire building to improve aesthetics. No structural work or changes to the building footprint are anticipated.
- SITE; No significant sitework is anticipated for the building site. The Port plans an asphalt overlay within the existing asphalt parking area, and reestablishing existing landscape areas primarily all for aesthetic purposes.

4 ANTICIPATED APPROACH & COUNTY REGULATORY GUIDANCE

The Port plans to follow its standard procurement policy to award construction contracts to one or more licensed contractors who will perform the construction work. Contract requirements will stipulate that the contractor will be required to obtain any and all required building permits.

The Port is currently assuming that this work as conceptually described does not require any sealed plan submittals by engineers or architects and that only standard building permits will be necessary for the various repairs to the existing structure and site? Further, these building permits can typically be submitted by the contractor, and issued by the County within 1-2 weeks of application? We are also assuming that as long as the occupancy of the building remains as mercantile, no further planning level or site civil reviews would be required?

The Port is requesting any feedback the County can provide at this stage regarding the permits and process that will likely (or may) be required for these work tasks so we can plan appropriately and avoid costly delays and/or change orders once the contract is awarded and work begins. The concern would be that the Port does not adequately inform the contractor of his permitting requirements and consequently there are unanticipated construction delays and/or costs that the Port would be asked to absorb. The Port has a very limited budget to work with and any assistance the County can provide as we plan for this work on the community's behalf would be greatly appreciated.

Sincerely,

Jim Aho, Port Commissioner & John Piccone, Port Engineer

Existing Illahee store, exterior north and east walls:



Former bathroom area to be repaired:



Interior north wall:



Interior southeast corner, existing elec. panel and sink drains:



Former 1930's Illahee Store...





Office of the Washington State Auditor

Pat McCarthy

Exit Letter: Port of Illahee

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independence and transparent examinations of how state and local governments use public funds, and to develop strategies that make government more efficient and effective.

The purpose of this letter is to share our audit results with management and the Board. This letter is not your official audit report, which will be published on our website. You will receive a separate email with an alert that the report is available.

Audit Highlights

- We appreciated the Port's communication and assistance throughout the audit.

About the Audit

We initially performed an assessment audit of Port of Illahee for the years 2019, 2020 and 2021. However, due to recommendations discussed with management, the Port's audit was changed to an accountability scope.

Assessment audits are risk-based audits wherein we review the annual reports submitted to our Office. We typically perform assessment audits for governments that receive \$300,000 or less in annual revenues or for school districts with less than 250 full-time students. When the government exceeds the thresholds stated, does not comply with filing requirements, or other risk factors are present, the Port may be transitioned into an accountability audit, where our objective is to detect and report on significant misappropriation, misuse or loss of public funds and non-compliance with state laws and regulations and compliance with policies. We also identify and report on weaknesses in internal controls over safeguarding of public resources.

Audit Results

Based on the procedures performed, except as described below, nothing came to our attention in the areas we reviewed that caused us to believe the Port did not substantially comply with applicable state laws, regulations, and its own policies, or had significant weaknesses in controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Audit results are being issued as an accountability report, as referenced above.

Findings

Based on the procedures performed, except as described below, nothing came to our attention in the areas we reviewed that caused us to believe the Port did not substantially comply with applicable state laws, regulations, and its own policies, or had significant weaknesses in controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Audit results are being reported in an accountability report, as described above.

Recommendations not included in the Audit Report

Management Letters

Management letters communicate control deficiencies, non-compliance or abuse with a less-than-material effect on the financial statements or other items significant to our audit objectives. Management letters are referenced, but not included, in the audit report. We noted certain matters that we are communicating in a letter to management related to accurate financial reporting.

Exit Items

We have provided exit recommendations for management's consideration in a separate, attached document. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report. A summary of the exit items is attached to this letter.

Status of Prior Audit Recommendations

Brief Description	Resolved	Unresolved
Exit Item: Credit card policy		X
Verbal Recommendation: Open public meeting minutes (executive sessions)		X

Additional Reminders

Below is a list of areas where small local governments might need additional guidance.

Tracker

Tracker is a tool created to follow the status of audit findings and corrective actions. Please use [Tracker](#) to update the status of your finding and management letter. For additional guidance with Tracker, see:

- https://portal.sao.wa.gov/tracker/assets/docs/Tracker_User_Guide.pdf
- https://portal.sao.wa.gov/tracker/assets/docs/Tracker_Overview.pdf

Board Compensation

Elected Official rate of pay is set by RCW, depending on your government type. Any Board member who receives less than the full allowable compensation must sign a waiver of compensation and file it with the government's secretary. Please let us know if you would like an example of this waiver.

Procurement and Public Works Projects

State law (RCW 39.04) requires competitive procurement for public works projects and purchases of supplies and equipment for most local government types. Laws that require specific methods of procurement differ by government type. Further, all public works contracted for by the government must meet state prevailing wage requirements by obtaining an "Affidavit of Prevailing Wages Paid" from the contractor unless the work is performed exclusively by the business owner.

For additional guidance on public works projects and procurement for your government type, please visit Municipal Research and Services Center of Washington's website: [Procurement and Public Works Requirements](#)

Credit Cards

The state Department of Enterprise Services has a Purchase Card Contract with US Bank that local governments are eligible to use. The card has no annual fee and offers annual rebates on purchases made using the card. For more information, go to [Purchase Card Guidance](#).

It is also important to note that having policies and procedures for credit/debit cards and charge account use is important for safeguarding the local government's funds. State law (RCW 43.09.2855) allows local governments to use credit cards. This law provides some guidelines for their use, which include adopting a system for their distribution, control, authorization, etc.

Working Together to Improve Government

Local Government Support Team

This team provides support services to local governments through the Budget, Accounting, and Reporting System (BARS), annual online filing technical assistance, and training on accounting, reporting and BARS. Our website and client portal offer many resources, including a client Help Desk that answers auditing and accounting questions, updated BARS Manuals, access to resources and recorded trainings, and other accounting and reporting resources. Additionally, this team helps with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor offers services designed to help you assist the residents you serve, at no additional cost to your government. What does this mean? They provide expert advice in areas like building a Lean culture to help local governments find ways to be more efficient, effective, and transparent. The Center also provides financial management technical advice, best practices, and resources. These can be accessed from the "Improving Government" tab of our website and can help you act on accounting standard changes, comply with regulations, protect public resources, minimize your cybersecurity risk and respond to recommendations in your audit. The Center also offers the Financial Intelligence Tool, better known as FIT, to help you assess and monitor your finances and compare your financial operations to similar local governments like you. You can email the Center for a personal training session to learn all the benefits using the FIT tool can provide. The Center understands that time is your most precious commodity as a public servant, and wants to help you do more with the limited hours you have. If you are interested in learning how the Center can help you maximize your effect in government, call (564) 999-0818 or send an email to Center@sao.wa.gov.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in a PDF. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>

Management Representation Letter

We have included a copy of representations requested of Port management.

Audit Cost

In the entrance communication, we estimated the cost of the audit to be \$2,600; however, actual audit costs will approximate \$4,800 as a result of reportable items and additional audit efforts to issue the accountability report. Billing invoices are sent at the beginning of the month after the report issuance.

Your Next Scheduled Audit

The Port is scheduled for an accountability audit with Team Port Orchard. *If you have questions regarding the next cycle, please contact:*

Team Port Orchard Audit Manager, Amy Strzalka (strzalkaa@sao.wa.gov; (360) 845-1476)

The estimated cost for the next audit based on current rates is \$10,300 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

If expenditures of federal awards are \$750,000 or more in any fiscal year, notify our Office because federal rules require the port to receive a financial and federal audit for that year.

Concluding Comments

We appreciate your assistance throughout the audit. We hope you find the information above informative and helpful to the government's operations. If you have any questions or concerns, please call or email at your convenience and we can discuss your audit.

Kelly Collins, CPA, Director of Local Audit, (564) 999-0807, Kelly.Collins@sao.wa.gov

Tina Watkins, CPA, Assistant Director of Local Audit, (360) 260-6411, Tina.Watkins@sao.wa.gov

Stacie Tellers, MSA, CPA, Audit Manager, (564) 999-0922, Stacie.Tellers@sao.wa.gov

Diana Windsor, Assistant Audit Manager, (509) 329-3703, Diana.Windsor@sao.wa.gov

Andrew M. Wolf, CFE, Audit Lead, (564) 999-0928, Andrew.Wolf@sao.wa.gov



Exit Recommendations
Port of Illahee
Audit Period Ending: 12/31/2021

We are providing the following exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

Meeting Minutes (Executive Sessions & Payment Approvals)

We identified four executive sessions that occurred during the audit period that did not have adequate documentation, specifically an allowable purpose as defined by RCW was not provided (general reasons were not specific enough) and the pre-established duration of the sessions were not consistently set, followed and documented.

We further compared expense approvals in OPM to actual spending and noted that the sum of approved vouchers differed from reported spending by about \$4,500, \$15,000 and \$48,500 in 2019, 2020 and 2021, respectively.

We recommend the District take steps to ensure it complies with executive sessions requirements and that meeting minutes reflects this compliance, as required by OPMA and the BARS Manual. Aside from the abovementioned issues, we acknowledge that the Port produced highly detailed minutes, demonstrating strong transparency.

References/Resources

Chapter 42.30 RCW, Open Public Meetings Act:

<https://apps.leg.wa.gov/rcw/default.aspx?cite=42.30&full=true>

BARS Manual 3.8.5, Voucher Certification and Approval:

https://sao.wa.gov/bars_cash/accounting/expenditures/voucher-certification-and-approval/

MRSC, OPMA/PRA Tips and Checklist: <http://mrsc.org/Home/Explore-Topics/Legal/Open-Government/OPMA-and-PRA-Practice-Tips-and-Checklists.aspx>

MRSC - Executive Sessions Checklist: http://mrsc.org/getmedia/be451768-7eb7-4da4-886b-27d61c28ed21/opma_executive%20session_checklist.pdf.aspx

Washington State: Office of the Attorney General, Open Government Training:

<https://www.atg.wa.gov/opengovernmenttraining.aspx>

Lease Agreements

We identified that the Port made annual payments of about \$49,000 with maintenance vendor TIKAR; this relationship was not governed by a contract. We further identified that the Port did not have written leases established with all residential lessees; altogether, the Port averaged annual lease/rental revenue of \$36,500.

We recommend the Port establish written contracts/agreements with all lessees and significant vendors. The absence of written contracts/agreements exposes the Port to risks that terms may not be actionable and that its interests may not be protected should there be disputes. Written contracts and agreements also serve as a key part of the audit trail for related proceeds and payments, which is integral to accountability and transparency.



Exit Recommendations
Port of Illahee
Audit Period Ending: 12/31/2021

Credit Cards (Written Policy)

We identified that the District does not have a written policy governing credit cards, as required by state law (RCW 43.09.2855) and BARS Manual 3.8.4.

We recommend the District establish a written policy governing the use of credit cards, to include authorized use/users, credit/purchase limits, requirement for supporting documentation, review/reconciliation, and prohibition of cash advances and personal use.

The lack of policy governance has been identified and addressed as a recommendation in the two prior audits.

References/Resource

BARS Manual 3.1.3, Internal Control: https://sao.wa.gov/bars_cash/accounting/accounting-principles-and-internal-control/internal-control/

BARS Manual 3.8.4, Purchase Cards:

https://www.sao.wa.gov/bars_cash/accounting/expenditures/purchase-cards/

The Center, "Best practices for credit card programs": <https://sao.wa.gov/credit-card-best-practices-pdf/>



**Office of the Washington State Auditor
Pat McCarthy**

April 18, 2023

Board of Commissioners
Port of Illahee
Bremerton, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our assessment audit of the Port of Illahee from January 1, 2019 through December 31, 2021. We believe our recommendations will assist you in improving the Port's financial reporting in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Port officials and personnel. If you have any further questions, please contact me at (564) 999-0922.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for their cooperation and assistance during the audit.

Sincerely,

Stacie Tellers, MSA, CPA, Audit Manager

Attachment

Management Letter

Port of Illahce

January 1, 2019 through December 31, 2021

Internal controls over financial reporting

State law (RCW 43.09.230) requires the Port to submit an annual financial report to the State Auditor's Office after the end of each fiscal year, with accurate, summarized financial information and supporting schedules. The *Budgeting, Accounting and Reporting System* (BARS) Manual, Section 4.1.6.50, requires local governments to correct errors and omissions in annual reports, including those identified during an audit.

We identified the following errors:

- The Schedule 01 omitted refunding debt transactions of \$156,000 in 2019; this activity was also omitted from the Schedule of Liabilities (Schedule 09).
- Schedule 01 data in 2021 included manual adjustments of about \$35,000, differing from underlying County reports. The Port could not provide supporting documentation for the variance.
- Inaccurate account codes were used in 2021 reporting. This resulted in the Port incorrectly classifying operating activity of about \$9,000 as fiduciary transactions and special/extraordinary expenditures.
- The Schedule 09 was not prepared for fiscal year 2020 reporting.
- State grant revenues of about \$84,000 in 2021 were classified as "local grants" on the Schedule 01.
- Rental revenue and related expenditures for managed property was omitted from financial reporting because the vendor retained fees prior to revenues being deposited and recorded at the County.

With the exception of the Schedule 01 refunding debt (2019) and Schedule 01 manual adjustment (2021), management corrected the errors noted above.

Filing inaccurate or incomplete annual reports prevents Port officials, the public, and other interested parties from obtaining accurate financial information about the Port. These delays also hinder public transparency and our Office's efforts to compile statistical and financial information that the Legislature and others use.

We recommend the Port establish internal controls to ensure it files accurate financial reports, as required by state law (RCW 43.09.230).



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Port of Illahee

For the period January 1, 2019 through December 31, 2021

Published April 27, 2023

Report No. 1032489



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**Office of the Washington State Auditor
Pat McCarthy**

April 27, 2023

Board of Commissioners
Port of Illahee
Bremerton, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Port operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Port's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, Port operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the Port could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to financial reporting that we communicated to Port management and the Board of Commissioners in a letter dated April 18, 2023. We appreciate the Port's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Port of Illahee from January 1, 2019 through December 31, 2021.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the Port's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2021, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Open public meetings – compliance with minutes, meetings and executive session requirements
- Procurement – public works, purchases, cooperative purchases, joint purchasing agreements, purchasing exemptions, and professional services

- Compliance with public work projects – prevailing wages
- Annual report filing – timeliness, completeness and accuracy
- Tenant leases – compliance with contract terms
- Accounts payable – general disbursements and credit card activity
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Port of Illahee January 1, 2019 through December 31, 2021

2021-001 The Port did not have adequate internal controls for ensuring compliance with state procurement laws.

Background

The Port supports the economic development of the Illahee area, and maintains the pier and dock at the foot of Ocean View in Kitsap County. The Port is governed by an elected, three-member Board of Commissioners and has an Administrator responsible for its day-to-day operations. The Port receives income from property taxes and residential rental properties.

When procuring architectural and engineering services, state law (Chapter 39.80 RCW) requires local governments to publish in advance their requirements for professional services and engage in a qualification-based selection process. Local governments can meet this requirement by either publishing an announcement each time they need a consultant to provide professional services, or generally announcing to the public their projected requirements for any category or type of professional service.

Additionally, the Port is subject to prevailing wage requirements set by state law (Chapter 39.12 RCW), which includes the requirement for all vendors to submit a Statement of Intent to Pay Prevailing Wages for public works projects before disbursing funds to them. Further, state law (RCW 35.61.135) requires an interlocal contract or agreement between entities relying on another's small works roster.

In the absence of specific requirements, written contracts and agreements are generally a key form of documentation necessary to safeguard entity interests and support transactions with significant relationships.

Description of Condition

The Port is undergoing a multi-year dock and waterfront renovation project with total costs expected to exceed \$2 million. The Port contracted architectural and engineering services without engaging in the required competitive, qualifications-based selection process, and it issued related payments of about \$198,000 during the audit period.

The Port also engaged in public works projects with capital expenditures totaling \$239,000 between 2020 and 2021; however, it disbursed funds without requiring vendors to complete the required prevailing wage intents for these projects. Further, any activities related to Port-owned residential properties would also be subject to prevailing wage requirements when projects involve a public works scope, including those managed by a third party.

The Port relies on another government's small works roster, but does not have an interlocal agreement established, as required by state law (RCW 39.04.155)

Cause of Condition

Port management and staff were not aware of state laws for procurement including those governing architectural and engineering projects or prevailing wage requirements.

Effect of Condition

Procurement laws are intended to promote openness in government and prevent fraud, collusion and favoritism when awarding public contracts. Because the Port did not comply with procurement requirements for architectural and engineering services, it cannot be sure all interested firms had the opportunity to apply and that the most qualified firm performed the services.

Without ensuring prevailing wage intents and affidavits are filed, the Port does not have certification that all vendors meet requirements of the corresponding checks, and exposes itself to risk if disputes are filed.

Because the Port has not entered into a contract with the government whose small works roster they utilize, it has not satisfied its statutory requirements to use it.

Recommendation

We recommend the Port:

- Establish internal controls over procurement to ensure compliance with state laws when contracting for architectural and engineering services
- Ensure all required vendors have filed prevailing wage documentation before making payments
- Establish an interlocal agreement to rely on another government's small works roster.

Port's Response

Re: Architectural and Engineering Services

Several years ago, Port of Illahee commissioners announced and solicited recommendations at a public Kitsap All Ports meeting for a grant writer to assist them with grants to update their deteriorating dock and upland facilities. It was at that meeting various comments and recommendations were received and over a period of weeks commissioners conducted their own research and concluded that Sound West Engineering Associates was who they wanted to hire, primarily because Sound West was successful with obtaining grants for other Kitsap Port Districts and furthermore Sound West was recommended by the other ports for following up after the grants were awarded with the engineering support needed to complete their projects. It is likely, based on those recommendations, that had a solicitation gone out for those professional services, that the same engineering group would have been hired. However, should the Port require additional professional services, they will follow RCW/MRSC procedures to make sure they are considering all qualified firms.

Re: Prevailing Wages

Port of Illahee commissioners adopted Resolution 2023-3 "Procurement Policies and Procedures" which states "Prevailing wages shall be required for all public work projects." The Resolution covers the issue of prevailing wages.

Re: Small Works Roster Inter-Local Agreement (ILA)

The Port of Illahee will work with the Port of Silverdale to establish an Inter-Local Agreement to use the small works roster the Port of Silverdale makes available to the other Kitsap Port Districts.

Auditor's Remarks

We appreciate the Port's commitment to resolve this finding and thank the Port for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Chapter 39.80 RCW – Contracts for Architectural and Engineering Services.

Chapter 39.12 RCW – Prevailing Wages on Public Works.

RCW 39.04.155 – Small works roster contract procedures—Limited public works process—Definitions.

Budgeting, Accounting and Reporting System (BARS) Manual, Section 3.1.3 – Internal Control

INFORMATION ABOUT THE PORT

The Port of Illahee provides economic development of the Port and maintenance of the pier and floats commonly called "Illahee Dock" at the foot of Ocean View in Kitsap County.

An elected, three-member Board of Commissioners governs the Port.

The Port received annual revenue of approximately \$287,000 in 2019, \$129,000 in 2020, and \$210,000 in 2021. The Port's main source of revenue comes from property tax collections; however, 2019 included refunding debt of about \$160,000, and 2021 included state grant proceeds of about \$84,000.

Contact information related to this report	
Address:	Port of Illahee P.O. Box 2357 Bremerton, WA 98310
Contact:	Caleb Reese, Administrator
Telephone:	(360) 698-4918
Website:	www.portofillahee.com

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Port of Illahee at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- [Find your audit team](#)
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- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov



Port of Illahee <portofillahee@gmail.com>

5560 Oceanview Blvd update

5 messages

Pat <Pat@gpmkitsap.com>
To: portofillahee@gmail.com

Fri, Apr 28, 2023 at 11:12 AM

Hello Caleb,

The contractor has completed the approved items at the property, and will be submitting his invoice for the balance due next week. I can forward a copy for your records if you like.

Best regards,
Pat Groves
Good Property Management, Inc.
(360) 698-2464

Port of Illahee <portofillahee@gmail.com>
To: Pat <Pat@gpmkitsap.com>

Mon, May 1, 2023 at 8:44 AM

Yes, please do.

Thank You,
Caleb Reese
Administrator
Port of Illahee

[Quoted text hidden]

Port of Illahee <portofillahee@gmail.com>
To: Pat <Pat@gpmkitsap.com>

Tue, May 9, 2023 at 10:59 AM

We are still waiting for you to forward the invoice that you offered in the email. Please forward or let us know what is happening with this.
Thanks,

Caleb Reese
Administrator
Port of Illahee

[Quoted text hidden]

Pat <Pat@gpmkitsap.com>
To: Port of Illahee <portofillahee@gmail.com>

Tue, May 9, 2023 at 1:27 PM

Hi, here is the original invoice, he didn't have any changes or additions to the price quoted. The balance due is the same.

Thank you,

[Quoted text hidden]

[Quoted text hidden]

 **Oceanview estimate.pdf**
25K

Pat <Pat@gpmkitsap.com>
To: Port of Illahee <portofillahee@gmail.com>

Tue, May 9, 2023 at 1:29 PM

We paid the down payment to him, so the only thing left is the balance after the down payment.

On 5/9/2023 10:59 AM, Port of Illahee wrote:

[Quoted text hidden]

--

[Quoted text hidden]

Dangerous road

5 messages

Angela Capilli <angelacap@ckschools.org>
To: portofillahee@gmail.com

Wed, May 3, 2023 at 6:43 PM

Hello. I live in Illahee on Allview. I drove through the old gas station the other day and rolled over a metal plank. It dislodged, popped up under my car, bent my frame and scared the hell out of me. Who do I need to contact in regards to this situation. This could seriously damage somebody's car.

5 attachments**image0.jpeg**
5310K**image1.jpeg**
5323K**image2.jpeg**
5007K



Image3.jpeg
5095K

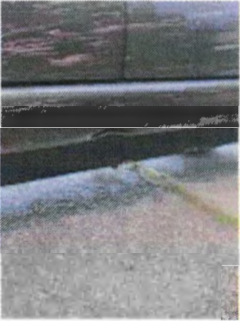


image4.jpeg
2540K

Port of Illahee <portofillahee@gmail.com>
Bcc: Port of Illahee - Aho <illaheeporthree@gmail.com>, Port of Illahee - Buesch <illaheePortOne@gmail.com>, Port of Illahee - Rupert <illaheeport2@gmail.com>

Thu, May 4, 2023 at 8:32 AM

Received this email this am. Please keep me informed as to who is handling this or if there is anything you would like me to do.

Thanks,

Jennifer Olson
Administrator
Port of Illahee

[Quoted text hidden]

5 attachments



image0.jpeg
5310K



image1.jpeg
5323K

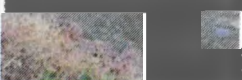




image2.jpeg
5007K



image3.jpeg
5095K



image4.jpeg
2540K

Jonathan Buesch <illaheeportone@gmail.com>
To: Port of Illahee <portofillahee@gmail.com>

Thu, May 4, 2023 at 12:16 PM

ill take a look.
Jon
[Quoted text hidden]

Port of Illahee <portofillahee@gmail.com>
To: Jonathan Buesch <illaheeportone@gmail.com>

Thu, May 4, 2023 at 1:24 PM

Thank you.
Caleb Reese
Administrator
Port of Illahee

[Quoted text hidden]

Jonathan Buesch <illaheeportone@gmail.com>
To: Port of Illahee <portofillahee@gmail.com>

Fri, May 5, 2023 at 1:34 PM

I took the bent plate away, and filled the hole with rock. should be good to go unless settling occurs, then put in more rock.

Jon Buesch,



Sent from my iPhone

