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# Role of the “Active” Port Auditor

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## Why An Auditor – When There is a CFO?

- ❑ It's the law - RCW 42.24.080

*All claims presented against any county, city, district or **other municipal corporation** or political subdivision by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, **shall be audited**, before payment, **by an auditing officer** elected or **appointed** pursuant to statute or, in the absence of statute, an appropriate charter provision, ordinance or **resolution of the municipal corporation** or political subdivision.*

## RCW 42.24.080

Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the state auditor. The form shall provide for the authentication and certification **by such auditing officer** that the materials have been **furnished, the services rendered, the labor performed** as described, **or** that any advance payment is **due and payable pursuant to a contract** or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the municipal corporation or political subdivision. **No claim shall be paid without such authentication and certification.**

In short “the lifeguard at the port pool”



## Protecting the Port's "political bank account" and actual bank account

The "political bank account" is the port's reputation amongst the citizens and the state auditor, other state, federal and local agencies that the port is well run and well managed. It is the public perception that allows the port to undertake new initiatives and spend public funds.

- ❑ The balance in political bank accounts can be increased by clean audit reports
- ❑ Deductions will occur with financial irregularities or audit findings

## But, appointment as the Auditor is not for the “faint of heart”

### ❑ RCW 42.24.100

The certificates required by RCW 42.24.080 through 42.24.110 need not be sworn, but **any person certifying a claim** or making a claim **knowing the same to be false or untrue shall be guilty of perjury in the second degree.** [a class C felony]

### ❑ RCW 42.24.110

**Any person who knowingly approves or pays** or causes to be approved or paid a **false or untrue claim** shall be **guilty of a gross misdemeanor** and, in addition, he or she shall be civilly liable on his or her bond to the municipal corporation or political subdivision, as the case may be, for the amount so paid or for **three hundred dollars** whichever is the greater.

## Where the Auditor Fits In

COMMISSION		
Attorney	Executive Director	Auditor
	Staff	

## The Auditor Resolution and Educating the Commission

- Every Port needs a resolution appointing the auditor
  - RCW 42.24
  - Renewed annually
  - Designated by name
  - Provides for a bond (not required)
- Consider explaining what the “Auditor” does to the Commission in a open public meeting
  - Describe pre-claim audit procedure and the BARS guidance



## Not the “Retrospective” Auditor



## But the “Active” Auditor



- ❑ Reason No.1 – The “active” Port Auditor helps the organization avoid bad decisions.
  - ❑ The **dispassionate** view of new proposals
  - ❑ Evaluates the “**audit risks**”
  - ❑ Points out the “**business risk**”

- ❑ Reason No. 2 - The “active” Port Auditor helps the organization fashion successful programs and initiatives.
  - ❑ Early involvement helps the organization get to “yes”
  - ❑ Provides **confidence** to the Port commission
  - ❑ Provides **expertise** to the Executive Director and staff

- ❑ Reason No. 3 - The “active” Port Auditor protects the port’s “political bank account”.
- ❑ Along with the lawyer is a “lifeguard at the pool”\*



\* Actual photo of young lawyer and young auditor with commissioner in the background

- ❑ Reason No. 4 – The “active” Port Auditor educates port staff
  - ❑ Provides group training
  - ❑ Provides one-on-one coaching
  - ❑ Help the organization avoid future problems

## Port Auditor and Port Lawyer -Allies

- ❑ Both appointed by the Commission and report directly to the Commission.
  - ❑ Both must have an **organizational sense**
  - ❑ Both prefer to work with staff **early**
  - ❑ Both should **educate** staff
  - ❑ Both work together to **“solve”** problems

- ❑ But, at the **end of the day**
  - ❑ Misconduct or malfeasance must be reported to the Commission
  - ❑ First discussion with lawyer and executive director
    - ❑ “I have concerns”
  - ❑ Second, a carefully discussion
  
- ❑ Fortunately this is a very rare occurrence



## Port Auditor and Port Lawyer – Working Together

- ❑ Keep lines of communication **open and easy**
  - ❑ **Before** there is an issue
  - ❑ Encourage discussion
  - ❑ Help each other to get to “yes”
  - ❑ Discuss the **consequences** of the concern
- ❑ But keep **perspective**

## The Reality of Auditor or Lawyer Concerns

- ❑ Truth by told – **everyone welcomes** the information
  - ❑ The staff and the commissioners want to **succeed** and do not want to violate the rules
  - ❑ **Early involvement** sets expectations and creates success

## We have a problem

- ❑ Step #1. If a problem arises discuss with the Port attorney via **telephone call** and with the **executive director**
  - ❑ Magnitude, potential solutions, need to report to the commission
- ❑ Step #2. Once the issue is framed – develop a **corrective plan**
  - ❑ Can the commission act to cure the issue?
- ❑ Step #3. Brief the **commission** – preferably with the executive director and attorney
- ❑ Step #4. If needed (rare), self report to the **State Auditor** with a corrective plan

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